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ON THE STUDY OF ECONOMIC HISTORY.*

THE teacher in England or America who seeks to explain his attitude towards economic science does so at the present time under peculiarly favorable conditions. There reigns just now a spirit of tolerance and mutual charity among political economists such as has not always been found within their circle. It is not that we have returned to the confident dogmatism and unanimity of the last generation,— of the period which extended from the publication of John Stuart Mill's treatise to the sounding of the first note of revolt in Cliffe Leslie's essays. It is rather that, though there are still marked divergencies, the followers of one method no longer maintain that it is the *only* method of scientific investigation; that, on the other hand, the believers in induction now recognize more fully the value of deduction; that the most abstract sometimes refer to facts and the most concrete occasionally make use of abstraction; and, what

* An introductory lecture delivered before Harvard University, January 4, 1893.

is far more important, that they are inclined, whatever their own turn of thought may be, to let others alone who walk not with them, or even to cheer them on their way in the benevolent hope that they may arrive at something worth the getting. It has now become almost a commonplace even with economists of the older school that students may usefully be led to work in different ways, owing to "varieties of mind, of temper, of training, and of opportunities." * In England an association has at last been founded which includes among its members most of those writers and teachers who are seriously interested in economics, and a journal has been established which welcomes contributions from every side with admirable impartiality. In America an association, which has for some years been doing excellent work, but which has hitherto been a little one-sided in its membership, has just widened its borders, and brought in even those against whose teachings it was once its business to protest. The controversies which break the monotony of life for our German colleagues have now but a faint echo among English-speaking economists; the personal antagonisms which separate French schools are altogether absent; and to most of us the recent exchange of hostilities between two distinguished English economists has seemed almost an anachronism. It is, therefore, with something of trepidation that I venture upon what may possibly look like a renewal of old controversies. Yet it is encouraging to think that, even if one had something very "extreme" to say, one might now count upon being heard with patience and urbanity.

It would be idle to deny that the hopes which were entertained by the younger men of the "historical" or "inductive" school in Germany some twenty years ago, and by Cliffe Leslie and more recently by Dr. Ingram among English writers, have not hitherto been realized. They

* Marshall, *Principles*, p. 92 (2d ed.).

looked for a complete and rapid transformation of economic science; and it needs only a glance at the most widely used text-books of to-day to see that no such complete transformation has taken place. Of this disappointment a partial explanation may be found in the fact that the historical economists were still so far under the spell of the old discipline as to continue to conceive of economics under the forms made familiar by the manuals. They still had before their eyes the customary rubrics of Production, Distribution, and Exchange; they still handled the sacred terms Value, Supply, Demand, Capital, Rent, and the rest,— terms which, to use Oliver Wendell Holmes's phrase, were just as much in need of *depolarization* as the terms of theology; they still looked forward to framing "laws" similar in character, however different in content, to the "laws" in possession of the field. Aiming, as they unconsciously did, at the construction of a body of general propositions dealing with just the same relations between individuals as the older school had given its attention to, it was natural that they should fall back on the use of that deductive method which is certainly of service for the analysis of modern competitive conditions, although they had begun by unnecessarily rejecting it. And thus the "methodological" arguments of the orthodox may seem to have gained an easy victory.

I shall attempt to show later that this is not an adequate version of the matter; that during this period the historical movement has been slowly pushing its way towards its own true field of work. Even in its relation to current economic teaching, it has performed a work of vital importance. It has been no mere aberration, passing away and leaving no trace; nor is it quite a complete account of it to say that it has contributed useful elements which have been incorporated in the body of economic science. It has done more than this: it has changed the whole mental attitude of economists towards their own

teaching. The acceptance of the two great principles,—which are but different forms of the same idea,—that economic conclusions are *relative* to given conditions, and that they possess only *hypothetical* validity, is at last a part of the mental habit of economists. The same is true of the conviction that economic considerations are not the only ones of which we must take account in judging of social phenomena, and that economic forces are not the only forces which move men. It need hardly be said that all this was recognized *in word* long ago; but it may be left to the verdict of those who are conversant with the literature of the last generation whether these convictions were really underlying and fruitful parts of daily thought, as they are now tending to be. The remark, indeed, is not out of place in passing that, although this salutary conversion may be discerned among professional economists, it has hardly taken place so completely as one could wish with the educated public, and that historical zealots may still do good service in insisting on these well-worn platitudes.

The altered mental attitude of the theoretic economists themselves towards their own doctrine is so much the most important result, from the point of view of current teaching, of the historical movement that it dwarfs its other effects in the same direction. But these other effects are well worth looking at; and they are evident enough, if we turn over the two most important of modern treatises, the *Principles* of Professor Marshall and the *Lehrbuch* of Professor Wagner. Professor Marshall so clearly realizes that the understanding of modern conditions is assisted by a consideration of their genesis that he introduces his work by two chapters on "The Growth of Free Industry and Enterprise," and by another chapter on "The Growth of Economic Science." So, again, his discussion of Population is preceded by a history of the doctrine, and a history of population itself in England. His treatment of

Industrial Organization consists largely of historical reflections. The theory of Distribution is introduced by a sketch of its history, and the doctrine of Rent is considered in relation to early forms of land tenure. With Professor Wagner the influence of historical thought is even more marked. As every one is aware who has had occasion to consult the recent volumes of his *Finanzwissenschaft*, his accumulation of historical material has grown so fast that it is threatening to become unwieldy. A more convincing evidence of his familiarity with historical modes of thought is presented in many parts of his treatment of general theory; *e.g.*, in his acceptance of the position that "capital," as it is now understood, is an "historical," and not an eternally necessary "category." He even attempts to formulate an historical law,— a law of the course of economic evolution,— and that in a matter which touches modern problems very closely; to wit, his "law of the increasing extension of public and state activity." That Wagner should to-day be regarded, and should regard himself, as a champion of abstraction and deduction as against the "extreme *Historismus*," — though just enough in the main,— has in it something of the irony of circumstances. It reminds one of the observation of John Stuart Mill that the great advantage from the presence of extremists is that any course short of the extreme gains the charm of "moderation."

It need hardly be said with regard to the examples just given that, suggestive as such historical reflections and generalizations may be, they are not to be regarded as necessarily either accurate or desirable methods of using historical material. They illustrate, however,— and that is all I wish to show,— the influence, to a large extent the unrealized influence, of the *Zeitgeist* even over writers who wish to carry on the old traditions.

In the wider issue of the comparative merits of induction and deduction, it may be observed that conservative

economists themselves no longer employ the sweeping language in favor of deduction which characterized their predecessors. They have discovered, like M. Jourdain with his prose, that in one very important field, that of Production, they have been inductive all along without knowing it.* It is further allowed by recognized authorities that "within the province of *descriptive* and *classificatory* economics there is unlimited scope for valuable economic work." † And, accordingly, we see a series of useful studies in modern industrial life,— studies largely historical,— appearing under the highest economic patronage. ‡ Even the pages of the Harvard *Quarterly Journal of Economics*,— the peculiar home of theory,— furnish articles on the history of the tariff or of the currency; though it must be allowed that even the severest theorists have sometimes coquetted with facts when they approached these particular topics. It is true that we are cautioned that "the knowledge of particular facts, which is thus afforded, does not in itself constitute the end and aim of economic science." § But we will not be distressed by this if only the work of inquiry will go on. It marks the awakening,— or the reawakening,— in American and English economics of a sacred passion for the observation of real life, of which it has too long been devoid.

I have, however, already remarked that, while thus affecting the character of the teaching of economic theory, the historical movement has pursued its way, and is now settling down into a channel of its own. This is none other than the actual investigation of economic history itself. This may, perhaps, be a somewhat surprising re-

* Sidgwick, *Principles*, Introduction, chap. ii. § 1.

† Keynes, *Scope and Method of Political Economy*, p. 166.

‡ *E.g.*, Price's *Industrial Peace*, with preface by Professor Marshall; and the other publications of the Toynbee Trust.

§ Keynes, p. 167.

mark. It may be asked, "What, then, have the economists of that school been doing hitherto?" It will, however, I think be found that the creators of the school were rather men who had been touched by the historical thought around them, and inspired by its ideas, than original investigators. This was not to their discredit: it was the result of the situation. But to-day the leaders of the school are throwing themselves into detailed research, and are feeling their way towards independent historical construction. We have only to look at the publications of Professor Schmoller, of Berlin, and of the body of fellow-workers he has gathered around him, or at the large programme of inquiry into agrarian history which Professor Knapp, of Strasburg, and his circle have put before themselves,* to discover how strong is the current in this direction. And with this serious engagement in historical inquiry has come a clearer perception of the nature of the generalizations towards which that inquiry must work. It is seen that these will not be mere corrections or amplifications of current economic doctrines: they will rather be conclusions as to the character and sequence of the stages in economic development. The point of view is here no longer that of a bargain between individuals in given social conditions, but of the life and movement of whole industries and classes, of the creation and modification of social mechanism, of the parallel progress and interaction of economic phenomena and economic thought. The studies of the school are no longer individualist and psychological, but collectivist and institutional. To help out my meaning by two hackneyed but convenient phrases, the "laws" of which they think are "dynamic" rather than "static"; and they aim at presenting the "philosophy" of economic history. And, thus, their in-

* The reader who is unacquainted with the really considerable work undertaken by Professor Knapp and his friends will find some account of it in a review by Mr. Keasbey and another by the present writer in the *Political Science Quarterly* for December, 1892.

terest in any one period is not that they may directly compare it with the present or any other period, but because every period may furnish them with points from which they may determine the curve of economic evolution.

It has been inevitable that, with such an ideal before him, the leader of this newer historical school, Gustav Schmoller, should sometimes have spoken slightingly of the attempt to continue the old work of deductive argumentation: it was inevitable that the theorists he has in mind should retort with language of equal confidence in the superior merits of their own methods. It is often hard for a man to recognize that he pursues a particular line of thought chiefly because his own mental gifts lie in that direction. It is very natural that he should feel that the task towards which he is himself drawn is the most urgent and beneficent of all tasks. But when Professor Schmoller, instead of being submissive to the lessons read to him, remarks that it is useless to expect progress from "the further distillation of the already-a-hundred-times-distilled abstractions of the old dogmatism," * and declares very plainly that those who attempt the process lack a wide philosophical training,† he uses language, which, as Matthew Arnold said on a somewhat similar occasion, has certainly "too much vivacity," and is sure to create soreness. And when Professor Menger retorts by inventing for the labors of his opponent the pleasing terms "miniature-painting," ‡ "micrography," § and "*specialissima* about some gilds or other,"‖ he can hardly be acquitted of a certain acerbity.

It is surely time to cry a truce to controversy. Let it be acknowledged that for a long time to come there are likely to be many honest and hard-working and intelligent

* *Zur Litteraturgeschichte der Staats- und Sozialwissenschaften*, p. 279.

† *Ibid.*, p. 293.

‡ *Die Irrthümer des Historismus*, pp. 26, 37.

§ *Ibid.*, pp. 27, 37.

‖ *Ibid.*, p. 40.

men who will be interested in economic theory: let it be acknowledged, likewise, that there are likely to be a number,— small, indeed, in America and England, but still noticeable,— who also are honest and hard-working and not altogether unintelligent, who will be interested in economic history. Let us try for the next twenty years to leave one another severely alone, and see what will come of it. If we have time, let us read one another's books. Perhaps we shall be converted: perhaps we shall only get a suggestion here and there; but, if we cannot agree, let us be silent. We shall, at any rate, gain some little additional time for our own inquiries; and meanwhile the general progress of human thought may quietly bring a solution. And yet I would hardly be supposed to imply that the controversy of the last few years has been a waste of words. A good deal of fighting was necessary before the right of the historical economist to a fair field was recognized in England and America. I should not be surprised to hear that in Germany some few years ago there was the opposite evil,—a too complete exclusion of economic theorists from places of academic influence. But now that an armistice can be signed on honorable terms, it were well to do so. Harvard must receive the credit of having been the first among universities to realize the altered situation. It has been the first to see the wisdom of having both attitudes — the theoretical and the historical — represented in a great institution of learning. Its action is the more commendable because it has been determined upon at the instigation of teachers already in possession of the territory, whose own intellectual sympathies are chiefly on the side of theory. They have shown a confidence in free inquiry, and an understanding of the true nature of a university, which are still rare.

But such a truce ought not certainly to prevent any of us from frankly expressing his own private opinions

to any student who cares to ask for them. And the opportunity to make one's own position plain upon assuming new duties in a new sphere is so rare that it may fairly be brought within the same exception. It must be remembered that I shall be expressing only my own individual judgment; that I know full well that there are many able men who absolutely differ from me; that it is probable enough that, having heard what I may have to say, students may straightway go off and work in another direction, and that they may be happy in doing so. Still, what I should say to an able and properly prepared student of mature mind who came to me for suggestions would be somewhat as follows: —

"You have already, I understand, given some attention to Political Economy. You are acquainted with the main outline of the theory as it is presented, for instance, by John Stuart Mill. You know something of the history of Political Economy from Adam Smith to Mill, and of the general character of the development since Mill's time. If, indeed, you have not already got this equipment, I would advise you to get it; the study will supply you with points of view which you will afterwards find convenient, and it will introduce you to an interesting chapter of modern thought. Moreover, as teaching is now arranged in the great universities, you will have little difficulty in making these preliminary studies. Six months' steady work will probably suffice. I can assume, you tell me, that you already have this knowledge; you are interested in the economic life of society; you would like to attempt a little independent work of your own; and you ask in what direction your efforts are likely to be most fruitful. I cannot say that the outlook in the field of theoretic discussion looks very hopeful. For years there has been a keen controversy going on upon the subject of Distribution; and economists, even economists of the first rank, seem as far from agreement as ever. According

to President Walker, Wages are the Residual Share which falls to the laborer out of the joint produce of capitalist, employer, land-owner, and laborer, the three other shares being limited. For fifteen years he has maintained this in books of every size: it has been echoed in half the colleges of America and Great Britain; and yet I doubt whether you could discover another living economist of importance who agrees with him. Or take Profits. You will find equally competent writers who explain Profits as the Wages of management, as a reward for Risk, and as a species of gain governed by laws similar to those of Rent. I am aware that several of the younger American economists are accepting wholesale the new Austrian doctrine of 'subjective value,' and think they find in it the key to every problem. But I notice that, in the judgment of Dr. Bonar,—who has himself done more than any one else to introduce the Austrian writers to the attention of English-speaking students,—what they have given us is 'rather a definition of value than an explanation of its causes.' * Their principles have still to be applied to 'the problems of distribution as they meet us in modern countries'; † and it is not clear that in this undertaking their American disciples are being greatly helped by the new phraseology. Moreover, one cannot but observe that the early difficulty is still constantly turning up,—that economists cannot understand one another. There is a page in one of the back numbers of our own *Quarterly Journal* which makes one pause. It contains two brief letters. In one, distinguished economist A says of a criticism of his views by distinguished economist B, 'I abide by my doctrines as expounded by myself, and I do not accept the paraphrase of them given by Mr. B.' In the other, well-known writer C remarks of well-known writer D, 'I shall have no difficulty in showing that Mr. D, despite his denial, did use the term "profits" as I under-

* *Quarterly Journal of Economics*, iii. p. 26. † *Ibid.*, p. 31.

stood it.'* One takes up by chance another number of the *Quarterly*, and one's eye catches 'The misunderstanding that is the basis of President Z's chief criticism [of me] is radical and unexpected.'† I see no reason to suppose," I should say to my inquiring friend, "that you are likely to be much more successful in interpreting statements of theory than these able persons have been. Of course, if you have reason to believe that you possess a peculiar aptitude for abstract reasoning, and are strongly attracted towards economic theory, you may find a good deal of pleasure in turning your thoughts in that direction. I hardly care to prophesy, with any very strong feeling of certitude, that you will not arrive at valuable results; though I scarcely think it probable. Farther than that I am not inclined to go. But, if you have no such strong bent, then I would suggest that you should consider the advisability of trying your hand at economic history. Here is an almost untrodden field: here is abundance of material; and, even if you do not arrive at any very wide-reaching conclusions, the facts which you may discover will themselves be positive accessions to knowledge. As Lotze says, 'To know facts is not everything, but it is a great deal; and to think lightly of them because one yearns for something further is fitting only to those who do not understand that the half is often better than the whole.'"

Before proceeding now to speak more at length of economic history itself, there are two criticisms which it will be well to clear out of the way. It is urged, in the first place, that "some familiarity with economic theory is essential to the interpretation of industrial phenomena such as it falls within the province of the historian to give."‡ It will be remembered that I have advised the imaginary enthusiast to begin by gaining even a consid-

* *Quarterly Journal of Economics*, iii. p. 109.

† *Ibid.*, vi. p. 116.

‡ Keynes, p. 271.

erable familiarity with economic theory. But I must confess that I have done so chiefly from a sense of justice to the man himself in the present state of opinion. Theoretic political economy is still so strong in the support of most teachers in England and America that it would be hardly fair to set a man against the current,— especially if his professional prospects as a teacher were at all involved, — unless he were in a position to judge for himself. But, so far as the actual utility of economic theory to the historian is concerned, I cannot help feeling that much of the language used is unnecessarily grandiose, especially as applied to those earlier periods which are in most need of investigation. Says the same writer, "All that is really given us in each case by direct evidence is a highly complex sequence of events, in which the true bonds of causal connection may be disguised in a thousand different ways, so that, far from being patent to every observer, they can be detected only by the trained student thoroughly equipped with scientific knowledge." But, when this same writer goes on to illustrate economic theory from history, the sort of illustration he takes is a statement that "a dry summer" in the Middle Ages "caused much wear and tear of implements, and consequently an increased demand and a higher price, so that the bailiffs' accounts frequently mention 'the dearness of iron on account of drought.'" "We could not," he says, "have a better illustration of the effect of demand on price." * Surely, the power of tracing so obvious a connection between phenomena demands nothing more than plain common sense: we might even use the amusing phrase of Thorold Rogers, and say that "so much was known in the days of the Egyptian and Babylonian kings." The author whom I have quoted would seem to have been unwittingly taking for granted that the historical economist is anxious to discuss just such problems as

* Keynes, p. 287.

the modern theorist, only in a different environment. Such exaggerated estimates of the value of theory will disappear when the character of the work before the economic historian comes to be better understood. It will be seen to be almost as great a mistake to use such language in relation to the historian of economic conditions as it would be to use it in relation to the historian of constitutional or legal conditions. It is strange that this is not already apparent. No one, for instance, would deny the great value for a true understanding of social progress of two recent books touching very different periods, Mr. Seebohm's *Village Community* and Mr. Charles Booth's *Labor and Life of the People*. In neither of these books has economic theory been of any visible service.

Nevertheless, to provide against the chance that even the simplest causal connections may be overlooked, it will be a wise precaution to advise students to begin by making themselves familiar with the rudiments of modern Political Economy. Moreover, since modern Political Economy has certainly brought into prominence some of the leading characteristics of the agriculture and industry and trade of to-day, its formulæ will give the economic historian convenient standards of comparison, whereby he may the better perceive what are the distinctive features of past conditions. But more than this economic theory will not, in my opinion, do for any save those states of society to which its ablest vindicator, Bagehot, expressly restricted its applicability,— those "states of society in which commerce has largely developed, and where it has taken the form of development, or something near the form, which it has taken in England" and America during the last hundred years.* And even for this very recent period a good deal of excellent work, of indispensable work, is possible without the use of "the economic

* *Economic Studies*, p. 6; *cf.* pp. 5, 17.

organon";* as is abundantly shown by the writings of Mr. Charles Booth and what may be called his school,—such investigators as Mr. Schloss, Mr. Llewellyn Smith, and Miss Collet.

The other stumbling-block to be cleared out of the way is the argument based on the imperfection of the historical record. Mr. Keynes has quoted from Richard Jones the remark that "history has suffered to drop from her pages, perhaps has never recorded, much of the information which would now be most precious to us";† and, as Jones is one of the fathers of the historical church, the objection is a depressing one. But, on referring to the passage itself, it will be found that Richard Jones went on to put a more cheering view of the matter in language which, though a little rhetorical, ought always to be quoted after citing the preceding sentence: "Yet this defect does not always exist when we think it does. The compiler and the student are sometimes more to blame than the original historian. The labors of Niebuhr, Savigny, Heeren, Müller, have proved that there is much knowledge, most important to our subject, in historical records, which has faded from the minds of men, and must be laboriously recovered from the recesses of neglected literature, like lost and sunken riches from the secret depths of the ocean. Our own scholars and antiquaries will not, we may hope, be backward in imitating them; and the historical documents, both of our own and of foreign countries, contain, we may well believe, large

* This is the happy phrase of Professor Marshall, and the text of his *Present Position of Economics* (1885). With a very great part of Professor Marshall's argument the present writer would entirely agree; though he would point out that the "examination of facts by reason" (p 44) and the use of the "three familiar scientific methods" (p. 45) do not necessarily involve the use of the "organon." He would urge, also, that to say, as Professor Marshall does, that "facts by themselves are silent" (p. 41) is to overshoot the mark. The lecture, however, shows the dawn of the sun of conciliation seven years ago rather than the present effulgence of its noontide beams.

† *Scope and Method*, p. 308.

and unknown stores of economical instruction,— many a heap of unsunned treasures to reward their researches." *

We are now in a position to look at the nature of economic history a little more closely. Let us begin by asking wherein it differs from what has hitherto been known as social history, or what the Germans call "the history of civilization," — *Culturgeschichte.* Social history, — so far, indeed, as it has existed at all,— has appealed to a multiplicity of interests. It has appealed, *e.g.*, to a psychological interest, curious to study forms of thought remote from our own; it has appealed still more to what may be called an æsthetic interest, the pleasure we take in mere quaintness or strangeness, like our satisfaction at seeing a mediæval market-place on the stage. But economic history is throughout dominated by one main interest,— the economic. It asks what has been the material basis of social existence; how have the necessities and conveniences of human life been produced; by what organization has labor been provided and directed; how have the commodities thus produced been distributed; what have been the institutions resting on this direction and distribution; what changes have taken place in the methods of agriculture, of industry, of trade; can any intelligible development be traced; and, if so, has it been from worse to better. These, and many like them, are the questions which will be asked by the student of economic history. The marking out of such a field of study is only a fresh example of the division of scientific labor: it is the provisional isolation, for the better investigation of them, of a particular group of facts and forces. And this especial study of what may at first sight seem a sordid side of human affairs is justified by its importance. For "the two things best worth attending to in history," as Mr. John Morley has well remarked, "are the great move-

* *Literary Remains*, p. 570.

ments of the economic forces of a society, on the one hand, and, on the other, the forms of religious opinion and ecclesiastical organization." * Much that has been included in social history the student will now relegate to the historian of art, of literature, of technical processes, of superstition, and what not. What remains he will utilize for his special purpose, endeavoring to place in order and coherence what has hitherto been but a heap of disconnected particulars.

It may, however, be observed in this connection that the economic historian will often think it wise to postpone the consideration of many bits of information,— may even be tempted to thrust them impatiently on one side,— which are commonly supposed to be of prime importance for his purpose. This is particularly true of statistics as to prices and wages in the Middle Ages. Partly because Thorold Rogers gave his whole attention to the collection of this sort of material, partly because the economic theorists are preoccupied by the operations of the market, there has grown up an idea that what the economic historian most craves for is to learn the price of a day's labor or of a day's food in past centuries. Facts of this kind are valuable, but only when we can place them in their proper setting. Our first requirement is to understand, far more precisely than we do at present, what has been the institutional framework of society at the several periods, what has been the constitution of the various social classes, and their relation to one another. This is the explanation of what must have struck every one who has given serious attention to English agrarian history,— the infinitely greater importance of the first one hundred pages of Mr. Seebohm's work than of all Thorold Rogers's voluminous collections, and that although the former had not in all probability given to the subject one-fifth of the time and labor bestowed by the second. It is because Mr. Seebohm

* "On Popular Culture," in *Miscellanies* (ed. 1886), iii. p. 9.

has given us a vivid picture of the daily life of the agricultural population, which has for the first time imparted to Mr. Rogers's facts a true significance.

"If 'economic history,' after all, is only a branch of history, why not leave it," it may be asked, "to the historian pure and simple? or, if you are not content to do that, why thrust yourself into the ranks of the economists?" Well, the time may come when those who are interested in economic history will have to turn their backs on the "economists," and cry, *Ecce convertimur ad gentes!* It may be granted that, as things are now, economic history belongs equally to the departments of history and economics. But this same characteristic of touching two fields which are nevertheless fenced off from one another is equally true of legal history and of ecclesiastical history. There is no reason in the nature of things why the "pure historian," as he is called, should not investigate both the history of religion and the history of law. But, as a matter of fact, the work of research in these two fields has usually been carried on by men who began by being theologians and lawyers in the narrow sense. So, similarly, the men who have of late done most to advance the knowledge of economic history are men like Schanz, Ochenkowski, Held, Brentano, Toynbee, Cunningham,— to mention only those writers who have given special attention to England. All these have been men who have had an "economic" training, and have been drawn to the study of the past by their interest in the problems of the present. Professor Menger has indeed complained, in language which leaves nothing to be desired in point of vehemence, that "the historical school has been from the very first not the result of the profound study of the problems of our own science: it has not arisen, like historical jurisprudence, from the scientific needs of economists dealing seriously with their

own questions."* "Like foreign conquerors have the historians entered upon the territory of our science, to force upon us their speech and usages, their terminology and methods."† Professor Menger may have had in his mind, while thus writing, circumstances hidden from the world; but, certainly, his statement is very far from being precise, so far as English work is concerned. No one would, I imagine, deny the name of economist to Richard Jones, to Cliffe Leslie, to Thorold Rogers, to Arnold Toynbee. The case of Toynbee is sufficient to illustrate the motives that have been at work. Toynbee came towards the end of his life to give his attention more and more exclusively to the economic history of the last two centuries, precisely because of his inexorable desire to penetrate more deeply into "the problems of our own science."

But to dwell on the somewhat grudging attitude of certain writers would be to partake of their spirit. In my lectures here,—if I may speak for myself,—I shall assume such an acquaintance with the main facts of "pure history" and also with the main ideas of "pure economics" as may fairly be asked of educated men. My hearers may be expected, I hope, to know the centuries to which belong the Norman Conquest, the Fall of Constantinople, the Discovery of America, the French Revolution, just as they may be expected to know the general meaning of Division of Labor, and Supply and Demand. It will be cause for rejoicing if the study attracts men from the historical side as well as from the economic. But so long as students present themselves, and men are stimulated after a survey of the field to engage in new investigation, we need not greatly care to what group of studies this particular one is assigned. It is indeed one of the advantages of the elastic system of Harvard teaching that here such perplexities need hardly trouble us.

* *Irrthümer*, Vorwort, p. iii. † *Ibid.*, p. vi.

And now let us ask ourselves, before we leave the subject, why, after all, we should study economic history. First, then, we study economic history for a reason which some may think the lowest,— and others more truly will regard as of the essence of a liberal education,— in order to gratify a natural and innocent curiosity. The more we discover that history, as we have hitherto possessed it, has told us little more than the external movements of the surface waters of society, the more we shall be drawn to the search for more trustworthy and penetrating knowledge. The mere desire to know will be for many the only motive and the sufficient justification. A distinguished man of letters has indeed said that he "does not in the least want to know what happened in the past, except as it enables him to see his way more clearly through what is happening to-day."* Auguste Comte carried the principle further, and even proposed to put the continued pursuit of certain studies under the ban as unsocial, when once they had reached a point beyond which, in his judgment, they were incapable of being of service to mankind. It chanced that the very study which Comte would have proscribed, pursued, as it was, in spite of his anathema, from the mere love of truth, has since been fruitful in new and practical applications. And so it may be with economic history. Let us know all we can about it; and the application may be trusted to take care of itself. Even if the subject had no utility outside its interest for the student himself, it would widen his sympathies, enlarge his conceptions of the possible, and save him from the Philistinism of the market-place.

But with many of us it will properly be an additional motive that economic history is intimately bound up with modern discussions. This is a consequence of that peculiarly English and American trait, the love of precedent. To what is called the "Anglo-Saxon" mind the fact that

*Mr. John Morley, u. s.

such and such conditions existed in the past is itself a strong reason why they should be made to exist in the present. It is very noticeable to any one who has come into contact with popular socialistic or revolutionary movements that an alleged historical fact has often more hold upon men's minds than any theoretic argument. Take, for instance, the belief in a primitive communism. Mr. Henry George tells his readers,—and he has doubtless a certain apparent justification in the writings of some recent authorities,—that "the common right to land has everywhere been primarily recognized, and private ownership has nowhere grown up save as the result of usurpation"; and, again, that "historically, as ethically, private property in land is robbery." * You have only to attend a single-tax meeting to find that this argument plays a much greater part in the thoughts of Mr. George's disciples than it does even with Mr. George himself. Or, again, notice how prominent in English socialist literature has become the picture of the golden age of the English laborer in the fifteenth century,—a theory which was first borrowed from Thorold Rogers, and is now regarded almost as an accepted truth. We are even beginning to be told that the eight-hours movement is but the restoration of the laborer's long-lost happiness. We shall not, I trust, turn to history in order to find arguments for or against any such movements; but the circumstance that our study has this curious bearing on modern discussions may fairly endow it with a keener zest.

And, finally, there may be some who will be drawn to this field of inquiry by a hope akin to that which has been so stimulating in the investigation of physical nature,—the hope that they may thereby arrive at a more satisfying and intelligible conception of the evolution of human society. Just as in biological and physical science the investigator is buoyed up by the conviction that every isolated

* *Progress and Poverty*, Book VII. chap. iv.

fact, could he but learn how, has its own place in a sequence, its own significance and appropriateness, so in the history of man we can never be content until we have found it a connected and consecutive whole, or until we know of a surety that it is but a chaos of meaningless fragments. We cannot cease attempting,— to use an old phrase in a more modern sense,— "to justify the ways of God to man." How far we still are from any such unifying conception of history I need hardly say, least of all to those who have tried in vain to satisfy their hunger with the husks of "Sociology." May it not be that in those constant daily needs which men have ever been compelled to meet on penalty of starvation, in the never-ceasing labor to produce out of the earth the good things it contains, and in the efforts after a wiser distribution of the product, we may find the thread of continuity, the unifying generalizations, which shall at last make history something more than "a shallow village tale"?

W. J. Ashley.

FRENCH CATHOLICS AND THE SOCIAL QUESTION.

Bishop Keane has authoritatively expounded the general principles which guide Christians in economic questions.* I shall now endeavor to indicate in a general way the practical methods commended by French Catholics for the amelioration of the material and moral condition of manual laborers. Here is the knotty point of the social question of to-day.

Obviously, we are not concerned with the construction of a new economic order radically different from that which has obtained since there have been civilized societies,— an order which, upon the abolition of slavery by Christianity, took definitive form when uninterrupted progress had substituted civil liberty and equality for old class distinctions. Individual liberty and responsibility, the care left to each family of providing for its own subsistence, the right of each one to take his own chances in life under impartial protection of the law, respect for private possessions, and inequality of actual conditions,— these are its fundamental characteristics. Our speech stigmatizes as Socialists those Utopians of different stripes who wish to overthrow this order, and substitute a social condition which is without historical precedents, and is purely a figment of their imaginations. Not all Socialists are communists; and certain of them, called State Socialists, dream of a discipline, rigorously enforced by government, which would insure perfect and lasting harmony of all interests.

On the other hand, the natural economic order is susceptible of constant improvement, simply through the

* *Quarterly Journal of Economics*, October, 1891.

action of Christian morality. The gospel renders the sense of justice more delicate. It enjoins respect of man and esteem of labor. Finally, by the large place given to charity it propagates a multitude of institutions adapted to the successive needs of the times and capable of tempering and softening the action of those economic influences just enumerated, which are the essential basis of terrestrial society.

The immense material progress of the century ought evidently to be of more and more benefit to manual laborers, who constitute the great majority of mankind. Political progress, which is summed up in the universal triumph of democracy, has made them more and more anxious to realize the hopes born of improvements in machinery, of new ways of communication, and of the increasing rarity of war. The changes for the better already secured are considerable. They are shown by the enormous increase of European populations,— 359,500,000 in 1891 as against 165,000,000 in 1789,— by welcome changes in the food, dwellings, and clothing of workmen in town and country. Nevertheless, certain groups of laborers in the slums of large cities have remained outside this general current, and, moreover, the real changes for the better do not keep pace with expectations; and, although the great increase in numbers is for the economist and the philosopher alike one of the most auspicious forms that general progress can take, still this consideration affects but little those who are only a figure in the divisor, and it does not prevent them from finding their quotient too small.

For all these reasons the working classes, whose horizon has been so enlarged by instruction and democracy as to include the great interests of humanity, will henceforth be far less interested than their ancestors have been in purely political questions and in international rivalries. They will be preoccupied more and more with the relations of capital and labor. It should not be a matter of surprise,

therefore, if conflicts between these two necessary factors of production become more frequent. The great misfortune is that the diminution of Christian faith, due to the false science of the English deists and the French encyclopædists of the eighteenth century and of the agnostics and materialists of the present century, makes these conflicts much more bitter, and leads to the formation of anarchical parties, which by their brilliant promises seduce the masses, who still have to endure so many privations. On the other hand, the great hope of a peaceful solution of the social question is the religious revival, to which Leo XIII. has given a powerful impulse by showing the affinity existing between the aspirations of the workingmen of to-day and the permanent teachings of Christianity,— a movement with which in England and America so many good men belonging to Protestant confessions are in accord. But this deep and general movement in no way enables us to dispense with the resort to practical methods of combating existing evils and promoting the welfare of the people.

These methods may be grouped under four heads: (1) state action; (2) action of employers; (3) benevolence, properly so called, springing directly from charitable impulse and from pious zeal for the material relief and moral elevation of manual laborers; (4) associations of workingmen based upon co-operation and mutual aid.

A. State intervention in the organization of industry is recognized by all Catholics, and always has been, it is safe to say, by French economists. The latter, indeed, in 1841 and 1874 were the promoters of the factory legislation in this country. The impulse of original sin constantly leads to new manifestations of the exploitation of man by man, and, moreover, the material changes in the conditions of industrial enterprise breed difficulties unknown to earlier industrial organizations. Society, then, can never lay down its arms in the struggle against

evil, and rely simply upon the free play of private interests for its suppression, as the Physiocrats of the last century with their rationalistic optimism thought it might. On the other hand, state intervention should be limited both as to the end to be attained and as to the extent to which it seeks to suppress evil. It should not, after the manner of the Elizabethan legislation so warmly described by the Rev. W. Cunningham,* undertake to prevent the confusion caused by private initiative and to assure the national good by subordinating individual interests; for under these fine pretexts a self-styled paternal government might be intrusted with the direction of industry and the control of private life.

Factory legislation ought also to confine itself within reasonable limits; for, if it pretended to obviate all possible evils, it would prevent the realization of much that is good. There are plenty of things that positive legislation must be content to leave in the domain of morals and of opinion. All Catholics have voted for the various measures calculated to give efficient protection to children and young persons employed in factories, and to extend inspection to work-rooms and shops in small industries; but they refuse to authorize inspectors to violate the sanctity of the home under the pretext of watching over the interests of children working with their own parents.

The principle that women, of whatever age, ought likewise to be protected, is more and more unanimously admitted. The prohibition of underground work in mines, limitations as to the length of the working day, and the prohibition of night work for adult women are generally admitted in principle; but numerous exceptions should be recognized in practice, inasmuch as certain industries are active but part of the year, while in others, like newspaper printing and dressmaking, night work is often necessary. In view of the increasing number of

* *The Growth of English Industry and Commerce*, 2d edition.

women who, as a result of the evolution of our civilization have to provide for themselves, we must guard against the danger of shutting them out of employments by well-intentioned but imprudent legislation. Opinion enlightened by the press can do much to determine the kinds of labor that may with propriety be required of women, and to impose upon employers the consideration due to their sex. A certain amount of control over the indoor regulations of factories may be permitted with this intent, provided it does not go beyond the limits already indicated.

All parties to-day, save some old doctrinaires, are unanimously in favor of insuring by law one day of rest for workers of all ages and of both sexes. It is a pure antichristian superstition that up to the present time has led the French legislator to refuse to designate Sunday for this purpose. Catholics are, of course, in the front ranks of the "Popular League for Sunday Rest" which is trying to secure for employees in trade and in public service the rest to which they are entitled on the Lord's Day. But a positive law, prohibiting the employment of any one on Sunday, is needed to put a check upon the deleterious competition of depraved traders with honest people. There is no danger in such a legislative prohibition, for it only interprets the eternal law of God; and, inasmuch as politicians cannot create a second Sunday in the week, there is no fear of an undue extension of the principle involved in this law. The great example of free America is the favorite argument of French Catholics in regard to this question. The great majority of them, on the other hand, are opposed to fixing by law the length of the working day for adult male workers. This is not on account of any prejudice in favor of absolute *laissez-faire*, but because the social conditions of Western Europe make such a limitation inopportune and dangerous.

In short, it is necessary to distinguish carefully two ideas too often confused. The legislator may, and even

ought, to fix a maximum working time (*Maximalarbeitzeit* the Germans call it) for adult workingmen, in case habitual overwork positively detrimental to health and to the preservation of the race is imposed upon them,* where, by virtue of their social inferiority or the absence of organization, they are not in a position to make their rights respected. This is the case in Russia and in Austria. But it is quite otherwise in France, where there are almost no abuses of this kind,† and where, in any event, workmen know too well the use of strikes to need any paternal legislation.‡ Quite another thing is the notion that it is the duty of government to determine the length of working day which ought, under normal conditions, to insure a good state of industry and suitable wages for the laborer (*Normalarbeitzeit*),— eight hours to-day as the trades-unions demand, three hours or two hours as the Socialists maintain will be sufficient after the triumph of collectivism. But such determination is beyond the scope of science and the power of government, even when

* Overwork ought to be estimated according to the nature of the industry. It is evident, then, that in employments where deleterious materials are used the legislator, if unable absolutely to prohibit their use, may limit the working time even of adults. It is a question of public hygiene, not an economic question.

† Unfortunately there are in Paris, as in London, many isolated workers toiling in their own homes, notably dressmakers, who exhaust their strength by excessive labor. The evil comes from contracts for certain kinds of finished work,— contracts which are again let out at lower rates, the middlemen gaining the difference. The Commission of the House of Lords on the Sweating System has recognized the great difficulty of remedying this, without absolutely destroying individual liberty and without establishing police control over what every one does at his fireside. Outside of the very large cities, the sweating system is unknown in France.

‡ Close upon the Revolution of February, 1848, came a law fixing the working day at twelve hours. Inasmuch as this maximum was not even reached in most industries, this law has been allowed to stand. It does not forbid overtime. Consequently, it causes no inconvenience; and in industries where work is irregular the workmen themselves are most clamorous for overtime. It is impossible to escape from this dilemma: either the law permits overtime, and is a useless, barren expression of legislative opinion, or, on the other hand, it forbids overtime, and, when enforced, degenerates into an intolerable tyranny.

aided by the best bureaus of labor statistics. It is no affair of the state to see to it that a given amount of labor procures sufficient wages for the workman, and to create employment under these conditions. No more can the state put a stop to the good will, strength, and capacity of the man who finds it advantageous to work longer or differently from the average factory hand; for observe that, under this system, the state would have to regulate the conduct as well as the duration of labor. To give it such powers would, in fact, reduce the *élite* of the working class to a condition of servitude, and give civilization a set-back by depriving it of its best elements. The only legitimate progress is that which springs from custom and the free play of interests; for then it harmonizes with the economic conditions of different countries, and respects the right of individuals to run their own risks quite outside the beaten track of the community.

The same objection holds against fixing a minimum rate of wages by law. Undoubtedly, it is unjust not to pay the workman wages enough to enable him to live according to local standards of comfort. Employers who take advantage of a glut in the labor market to refuse such wages are guilty of their brothers' blood. Still, their business must yield a profit; and the labor of the workman in question must produce an adequate equivalent for his wages. Of course there are times when business does not pay; there are factories which by virtue of changes in facilities for communication and in equipment can only vegetate; there are old workmen who can no longer entirely earn their own living, but can still find something to do. The legislator cannot enter into all these details. He would constantly be guilty of grave injustice. Do we realize the new and great responsibility which would weigh upon him, when called upon to decide that a certain industrial district is too densely populated to give work to all its inhabitants, or that a certain form of manufact-

ure is superannuated? Again, he might be obliged to furnish employment to those who are unable to find work with private employers at the legal rate. The minimum rate of wages as a moral theory cannot be too strongly advocated. Here lies the duty of the pulpit, the press, and of all the organs of public opinion; but fixing and enforcing a minimum of wages by law would be the first step in the establishment of collectivism, just as in former times in England and Germany fixing the maximum of wages by government was a means of keeping laborers in a condition of servitude.

The notion of insuring workmen against the principal risks of life — accident, sickness, disability, and old age — is very enticing. Highly perfected forms of insurance already exist in all our great industries. Since 1882, of the 111,317 workmen engaged in our collieries, 109,337 have profited by institutions of this kind. Our six great railway companies have established for their employees systems of insurance, notably a pension service, based upon actuarial estimates and upon economic principles most favorable to the family. It is safe to say that, in the group of large industries, all workmen permanently attached to the works are sufficiently guaranteed against the various risks of labor. On the other hand, in the country, population is so stable and family ties are so respected that agricultural laborers and rural artisans are well-nigh always aided in time of need. But between these two categories there remains a large number of laborers not covered by any form of insurance. The mutual aid societies, of which we shall speak later, include only a minority of the working population. Nevertheless, inasmuch as the French law of employer's liability in case of accident is far more favorable to the workman than the English law, and inasmuch, on the other hand, as private charitable institutions are numerous and well managed, the question of workingmen's insurance does not excite

the populace. Liebknecht, at the recent socialist congress in Marseilles, was able to say disdainfully that it was at most a subject for magazine articles.

It is the influence of German examples upon the course of thought all over Europe, even in France, that has made discussions of the triple compulsory insurance the order of the day for the press and shortly for Parliament. Since 1879 a large number of plans have been brought forward, either by the government or at the suggestion of deputies. None has come to anything. The whole matter is difficult to regulate. Meanwhile, German experience has gone on unfolding. We have seen how insurance against accident and sickness increased cases of deception, not only entailing unforeseen financial burdens, but also demoralizing the workman. An expert in this department, Mr. John Graham Brooks, has pointed out that "weakness in the German imperial Socialism" in the British *Economic Journal* for June, 1892. On the other hand, the execution of the imperial law of 1889, relative to insurance against disability and old age, excites universal discontent throughout Germany. France and Belgium are, therefore, much less inclined to follow this example to-day than they were some years ago. Catholics, though pretty well divided on this question, which involves subtle technicalities, are unanimous in their opposition to state subsidy for workingmen's insurance. In purely Catholic countries the principle of the legal right of the poor to parish aid has never been recognized. There are no general systems of public relief. Private charity and voluntary institutions are correspondingly more active and generous. Besides, whatever one's theoretical view of the matter, it must be recognized that there is no more pauperism in Spain, in France, and in Belgium than in England and in Germany. Possibly, indeed, there is less. The reasons, therefore, that in Great Britain, Germany, and Denmark make workingmen's insurance with state

subsidies seem a desirable substitute for poor laws do not exist in France. The great objection to it is that, if the principle of a contribution from the public treasury were recognized, politicians would propose an increase at every general election. It would be an auction where all the parties would rival one another in promises at the expense of the tax-payers; and, with the heavy budgets of modern nations, the great majority of citizens are tax-payers. The conviction is growing more and more that general legislation ought to be restricted to the encouragement of those insurance combinations between employers and employees which provide for the various risks of labor, with a view to increasing existing institutions and making them more efficient. The iron-masters of France have already formed a syndicate office of insurance against accidents, which is a model worth imitating.*

B. One of the characteristic features of the internal social structure of France is the moral reconciliation which is spontaneously taking place between employers and employed, above all where socialist politicians have not sown prejudices to excite evil passions. It is generally considered that habitual employment of workmen carries with it, beyond the payment of the wages agreed upon, a moral obligation to take as much interest as possible in everything which tends to improve the material and even the moral condition of the workmen. Hence the common use of *patron* to designate the employer,— a word peculiar to the French language, and without any exact equivalent in either English or German. *Patronage* in this country is a natural consequence of old tradition and of that peculiar trait of national character,— *bonhommie.* Even at the present time, in many districts the friendliest relations exist between the large proprietors and their tenants, and their neighbors, the small proprie-

*See *La Réforme Sociale*, February 1, 1892, for information in regard to this association.

tors. When the factories were first started,—above all, those started in the country or in small towns,—the *patron* knew personally all his workmen, most of whom belonged to the locality. He took an interest in their affairs; and, in case of necessity, he came to their aid with advice and assistance. At this primitive stage—which for that matter still continues in more than one factory—*patronage* was an affair of custom, and did not express itself in formal institutions. The distinguished economist Le Play, in the extensive studies that he carried on in all parts of Europe from 1829 to 1864, recognized that everywhere these customs were assuring a social peace unknown where business managers had organized their relations with their employees solely upon the basis of the law of supply and demand.* His writings have largely contributed to the spread of the idea of the moral duty of *patronage* in large industries; and all the mines, all the railways, all the great business houses, tax their ingenuity to invent institutions to add to the efficacy of the wages paid to their workmen. To this end they make considerable pecuniary sacrifices. Public opinion is active in this direction; and at the great Exposition of 1889 the special exposition of social economy made, in its 15th section, a review of *les institutions patronales* existing in France. The report of this section by M. Cheysson is, so to speak, an admirable object-lesson; while at the same time it shows the foreign reader the solid underpinning upon which French society rests.† To-day it is only in third-class establishments that employers do not take more or less care for the well-being of their employees. Nevertheless, the exercise of *patronage* in France does not prevent the conflict of capital and labor: the recent strikes are sad proof of this. If the

* Vide *Quarterly Journal of Economics*, July, 1890, for an article by Mr. Henry Higgs, on Le Play and his doctrine.

† Paris, 1892. Issued in 4to for the Imprimerie Nationale.

foundation of society is better in France than in many other countries, the instability of the government and the harassing strife of political parties are a constant cause of excitement for the masses, and the agents of anarchy and collectivism are clever in taking advantage of it. At this moment the country is paying the penalty for the immorality with which in 1889 the Boulangists, on the one hand, and the party in power, on the other, vied with each other for the co-operation of the anarchist agents, in order to gain the general elections.

This retrospective glance was necessary to an understanding of the real condition of things in France. But, quite apart from this unhealthy intrusion of politics into the relations of workmen and their *patrons*, *patronage* has weak points which must be indicated.

It is not, as an American reader might think at first glance, that *patronage* impairs the dignity of the workman and shocks the feeling of civil equality so wide-spread in France. The *patron* who would do good solely by show of authority, and manage his workmen as a colonel does his regiment, is a nearly extinct type. He was well enough formerly, but he does not belong to our day; and Le Play showed very well the proper conception of the idea of *patronage* when he said that *patronage* is, above all, beneficent when it strives to fulfil three conditions, — to conceal itself discreetly, to communicate to its clients as far as possible the feeling of their own initiative, and to leave to them entire direction of the interests and conduct of institutions created for their benefit.* Thus understood, *patronage* is not a means of discipline hostile to the working classes, as the socialist orators falsely allege. It is the accomplishment, in a method suited to democratic conditions, of rigorous duties of conscience imposed upon riches by the gospel.

The great French manufacturers have understood this;

* *La Réforme Sociale*, chap. xlvii. § 23.

and they embody the idea of *patronage* by devising for their workmen institutions for relief, pension funds, cheap dwellings, and distributive societies, which they subsidize largely, but in the management of which they gradually interest their workmen. For experience shows it is upon this condition alone that these institutions can attain their great moral end,— the economic education of the laborer and the development of his foresight.

In spite of such sacrifices on the part of *patrons* in large industries, notably corporations, which are becoming more numerous in large industries as everywhere else, uneasiness reigns among many working populations, otherwise very favorably situated as regards provident institutions. The cause is often absence of personal relations between employer and employee,— the great number of the latter making such relations practically impossible,— the rigorous methods of engineers and overseers, and, in short, the misunderstandings that spread among workmen without any power on the part of the head of the enterprise to explain them.

This psychological side of the factory question calls for more attention. A long time ago the most devoted *patrons* undertook the task of personally receiving their workmen at certain hours of the day, to listen to their grievances. Some have tried to create within the factory consulting councils, where the head of the enterprise meets representatives of the workmen to consult about modifications of shop rules and about the use of fines. These councils are not formed after a fixed type. They must differ decidedly with each factory; and, the more generous the spirit of the *patrons*, the better the results.

C. In a word, *patronage* only accomplishes its full results when it is Christian. M. Diterlin of Rothau (Vosges) expressed this as follows, at the assembly of the Evangelical Church in September, 1869: —

The workingman does not wish in evangelical institutions to be treated as a mere number. He wishes to feel the hand of another in his own. He wishes that, whatever may happen to him, the heart of his neighbor should beat in unison with his. In city establishments much is often done for the workingmen without receiving the slightest recognition from them, because the employers make their benefits a wall of division between themselves and their workmen. In some other places the same benevolent institutions will have a good effect, because the workmen feel the heart of their chief in everything. It is thus that the question as to workingmen is brought back upon the ground of the gospel.

M. Harmel, the distinguished Catholic manufacturer of the Val des Bois, adopted these sentiments when he announced to the world the intimate relations which his father first, and he himself afterwards, had established with their workmen. The means adopted consisted of a group of religious associations formed between workmen of different ages and of both sexes, to which he gives the historic name of corporation, or gild. The workmen thus grouped establish, with the assistance of their *patron*, various economic institutions found in other factories; but the soul of the system is the community of religious sentiment between the employer and his employees. In the August number of the *Forum* for 1892 is a description of the Val des Bois factory by John Graham Brooks, to which we refer the reader. He will see that strikes are there unknown, and that nearly one thousand workmen express themselves as highly satisfied with their lot. At Montceau-les-Mines the anarchists, who tried their bombs ten years ago, have been absolutely exterminated by the workmen themselves since the manager of the factory, M. Chagot, adopted methods similar to those at Val des Bois. In the department *du Nord*, which is a region of mines and large factories, the principal manufacturers have formed an association under the patronage of the Virgin, "Notre Dame de l'Usine," which aims at the spread of analogous institutions among the different factories, and

unites the efforts of the *patrons* to this great end,—the Christianizing of factory labor. There is a similar association in the industrial group at Chaumont in the *Haute-Marne*. Already these groups of Christian *patrons* and workmen present a formidable resistance to the attack of collectivists and anarchists. The large manufacturers who instituted the Christian social movement in this region combined with ardent zeal a just conception of modern economic conditions. Science demonstrates the identity of interests of capital and labor, but it remains for religious feeling to cement by the conquest and defence of a common ideal the union of those who represent these interests.

The rich cannot hope to save society of themselves alone. They must enlist in its defence the *élite* of the working classes, by making them understand that they, as well as the rich, are interested in the defence of religious rights, in the good education of children, in the respect and honor of the fireside, in the greatness of the country. Upon this solid foundation will arise in good time the fruitful institutions of co-operation and mutual aid. The older Christian countries, with their religious traditions, their charitable congregations, and their spirit of propaganda, have great reasons for a work of this magnitude; and it is, so to speak, scarcely begun. Success depends, above all, on the moral worth and inner Christian life of the men joining the movement. But it is also essential that legislatures put no obstacle in the way. Unfortunately, in France liberty of association only exists subject to great restrictions and to the constant interference of the police. Moreover, it is almost impossible to establish perpetual foundations for economic or charitable purposes. But the formation of mutual associations between *patrons* and workmen presupposes full liberty of association and perfect freedom in instituting perpetual collective properties devoted to the public welfare. The laws of the

United States are in this respect the ideal of the French Catholics; and, when a turn in affairs puts them in power, they will endeavor to introduce such laws in their own country.

D. Catholics thus expect a great deal from the different forms of co-operation, or of mutual assistance, and from trade associations. The *patronage* of employers is especially adapted to the needs of workmen in large industries; but artisans, merchants and their clerks, and the workmen in small shops form the majority of the army of labor; and appropriate institutions are necessary for the protection of their interests and the development of their moral worth. Co-operative production, although counting some successes, offers too many risks to be generally recommended to workmen. On the contrary, the field of action open to distributive co-operation is practically indefinite. Catholics in France and Belgium have been rather slow to perceive its advantages; but to-day they are entering resolutely on this field, and soon there will not be left a Christian factory, a Catholic workingmen's club, or a Catholic trades-union, which does not have its distributing society.

Usury not being common in France and Belgium, loan societies have thus far attracted less attention. Nevertheless, a Franciscan friar, Father Ludovic de Besse, is their great propagandist, and presides annually at a congress of people's banks. Under his direction a special periodical, *L'Union Économique*, expounds the theory and practice of co-operation. Unfortunately, there is nothing in France corresponding to the loan and building associations and to the mutual life insurance in the United States. The author of this paper never tires of holding them up to his fellow-countrymen for imitation.

A very proper form of mutual aid in France is the benefit societies, which insure allowances in sickness and the payment of funeral expenses. Some give old age

pensions. The rate of assessment is diminished in many of them by the annual contributions of honorary members not participating in benefits. The benefit societies include the most moral and provident part of the working class. It is essential to their development that they should have unrestricted rights to receive gifts and legacies. Under the Restoration, and again after 1848, Catholics were the most active promoters of benefit societies. The name of Armand de Melun is surely known the other side of the Atlantic by all who are interested in the practical aspects of popular economics. The same rôle of apostle of mutual aid is filled in Belgium at the present time by the venerable Baron T'Kint de Roodenbacke, first vice-president of the Senate.

In France, for a score of years, the attention of the most ardent Catholics has been somewhat diverted from these useful institutions, and concentrated on trades-unions. This idea is especially popular with a great society at the head of which is the Count de Mun, "L'Œuvre des Cercles Catholiques d'Ouvriers." The complete destruction in 1791 of the old trade gilds, and numerous religious fraternities which offered many advantages to workmen, the prohibition of their assemblies and associations for the defence of their common interests, had been vigorously resented by them; and in the course of the nineteenth century a great number of workingmen's associations were reorganized under the name of *syndicats*, secretly at first, then with government toleration, and, finally, under a legal form dating from the law of the 21st of March, 1884. Many of the organizations have been formed with hostile intent to employers, and are the hot-bed of strikes. But it is none the less true that the tendency of people of the same calling to unite is natural and legitimate. It meets the workman's craving for sociability, and it has been observed that benefit societies and co-operative associations based upon identity of occupa-

tion are far more solid than others. Finally, trades-unions are often necessary to secure for workmen equitable wages and conditions of employment.

We cannot flatter ourselves that we have seen the end of strikes; but they are less dangerous when, instead of being the result of spasmodic impulse and secret manœuvres, they are ordered after mature consideration by a responsible organization. As George Howell, M.P., has so well shown in his book, *Trade Unionism, New and Old*, the older these workingmen's organizations, the larger their reserve funds, and the more numerous their provident institutions, the greater chance there is that conflicts with capital will be rare, and that they will be settled by arbitration. This is why French Catholics have sought to form labor organizations, subject to their control. They are especially devoted to the formation of mixed organizations known as gilds, where employers and workmen meet on equal footing, and where a religious brotherhood establishes fraternal relations based upon community of faith. In some towns these mixed organizations have given excellent results. As a model, I will mention "L'Union Co-opérative de la Fabrique Lyonnaise," composed of three groups,— the weavers, the clerks, and the manufacturers.* With favorable surroundings, these mixed organizations, or Christian gilds, would increase in number. If the unrestricted right of holding and receiving legacies were guaranteed to them, they might become the nucleus of collective properties for the benefit of certain groups of workmen, and they would be a valuable element of social stability; for in densely populated countries, like France and Belgium, it is impossible to insure every one private ownership of land. This is one among many reasons for giving the proletariat who compose those limited and natural groups

* *Vide* the author's work, *Le Socialisme d'État et la Réforme Sociale*, 2d edition, Paris, 1892, pp. 337-400.

some interest in common funds held in perpetuity for their benefit by the gild. Once rich and old, these Christian gilds might have a benign influence upon the conditions of labor. At the same time they can only be useful so long as they are voluntary institutions, and so long as workmen and employers who do not wish to join are perfectly at liberty to remain outside. Democracy, or modern society established under widely different political circumstances in the United States, in England, in France, and then in all civilized countries, rests essentially upon freedom of labor. This implies the right of each one to settle where he wishes, to follow the trade he likes, and make the best fair bargain he can for his own ends. This *régime* has not fulfilled the expectation of its promoters by putting a stop to all economic ills; but it brought about a condition of freedom contrasting so beneficently with the regulations of earlier times that it was welcomed by the people with transports of joy. To it is due the great industrial development of our time, which depends upon ceaseless changes in technical methods, and, as a whole, has done so much to improve the material condition of the masses.

But freedom of labor is already seriously menaced by trades-unions in England and the United States, and by certain labor organizations in France. Nothing short of the full power of the law can avail to protect the rights of those who wish to escape this tyranny. If unwise legislation were to make membership in gilds or trades-unions compulsory, it would subject not only capital, but labor, to an intolerable tyranny, and would prepare the way, in France at least, for the temporary triumph of collectivism. Nevertheless, a group of French Catholics, having as their organ *L'Association Catholique* and enjoying the patronage of the Count de Mun, advocates this idea. Carried away by logic, this school curses freedom of labor, calls loudly for state regulation of wages and of industry,

and agrees with the Socialists in declaring that a radical change must be made in the existing economic order. Only, as the ideal of this school is not identical with that of the Marx collectivists, and as it would set up by a "counter revolution" (*sic*) a general co-operative system analogous to that of the Middle Ages, it would also replace universal suffrage by a "representation of interests"; that is to say, by a classification of citizens according to trade, or perhaps according to the amount of their property. In such a politico-social organization Christian influences would develop of their own accord, if we may credit the disciples of this school,* which is mentioned here to complete the picture. But such systems are of no practical importance; and they only arrive at the stage of theories, of scholastic discussions, thanks to the remoteness of their originators from business and from the responsibilities of power. To be assured that these theories cannot be realized, it is only necessary to recall what has happened in Belgium since the revision of the constitution. There "representation of interests" had been for years extolled by distinguished publicists of different parties. When the scheme was presented to Parliament, it received but two votes, so far out of touch is it with the conditions of modern society. One may, therefore, generally count on the practical test to do justice to the Utopias and reactionary schemes which have been troubling the heads of a certain number of Catholics, whose liberal views and good works have just been mentioned.†

The best way to gain an idea of the practical measures

* The limits of this paper forbid an explanation of the way in which the re-establishing of compulsory trade gilds in Austria-Hungary in 1883 and 1884 was made possible by social conditions, and by an historical development wholly different from that of Western Europe. It is enough to say that this restoration of the old economic order is checked in one direction. It has been impossible to adapt it to large industries.

† The only danger of these theories is that their authors can, by voting with collectivists and State Socialists, secure the passage of certain special measures, thereby adding to undesirable government interference with labor.

which Catholics are disposed to rely upon for the solution of the social question is to glance at what they have done in Belgium, where repeated success at the polls has given them control of government for eight years, and where the historical development and the actual economic conditions are very similar to those in France. Private initiative and government action are here most auspiciously combined. At Verviers, Liège, Mons, and Charleroi industrial societies have been formed to extend the practice of *patronage* in the factories. Associations of Christian artisans, bearing the old popular name of gilds, have sprung up in the chief centres. At Brussels they have established a sort of headquarters called "La Maison des Métiers," where the principal workingmen's associations are concentrated, serving as a labor exchange *(Bourse du Travail)*. After some opposition arising from the private interest of shop-keepers, the leaders of the Catholic movement have resolutely set about founding distributive co-operative societies.

Parliament has voted a series of laws to prevent certain abuses. In order to protect workmen and small employers against the allurements of credit, wages are exempted from seizure beyond one-fifth of their amount, and are non-transferable beyond two-fifths. The truck system and payment of wages in saloons are prohibited. A law passed in 1889 regulated judiciously the labor of children and women in mines, factories, and certain classes of workshops. A series of government regulations has largely curtailed the train service on Sunday, canal transportation on Sunday has been suppressed, and the postal service considerably lightened. By means of fiscal measures analogous to the high-license system of the United States, efforts have been made to diminish that plague of Belgium, misdemeanors caused by alcoholic drinks, and societies have been formed to establish temperance taverns adapted to the habits of the country. A

law has also been passed, granting certain privileges to benefit societies, and offering them great facilities in establishing pensions for their members by means of individual accounts opened in the name of the society at the general savings and pension bank, which does business under government control and guarantee. The receipts from honorary members, who are very numerous, are used more especially to assist the contributions of regular members to the pension fund. Under this statute the number of benefit societies in the kingdom has doubled, — a proof that this ancient and modest institution is of more benefit to the people than many new combinations which are at first glance more striking. Although Parliament preserves a wise reticence in regard to workingmen's insurance, pending the development of German experience, it has taken two very significant steps,— the one creating the "Councils of Industry and Labor," the other in passing a special law favorable to workingmen's dwellings.

The Councils of Industry and Labor are started whereever their formation is deemed useful. Composed partly of employers and partly of workingmen's delegates, chosen by their fellows to represent special trades, they are expected to give advice on such questions as the government may submit to them; and from time to time they fulfil the office of bureaus of statistics of labor. Then, in case strikes break out within their jurisdiction, they are invited to act as boards of conciliation, though their verdict is not necessarily binding. Troubles would only be aggravated if it were. Between 1887 and 1891 30 councils, subdivided into 90 sections, were organized; and they have obviated several strikes by their mediation.

In a densely populated country, like Belgium, the laborer naturally finds great difficulties in housing himself suitably and in becoming the owner of his dwelling. The law of 1889 authorized the general savings and pension bank (Caisse Général d'Épargne et de Retraites) to lend

a certain proportion of its funds at 3 per cent., or even at 2½ per cent., to the societies founded for the purpose of building workingmen's houses and enabling the occupants to become owners by means of annual payments. At the same time the law appealed to the many generous people in the country to form committees for the purpose of "watching over the construction and location of workingmen's dwellings, making a study of everything that concerns the healthfulness of houses occupied by laboring classes, and encouraging thrift and insurance." These committees have been formed in great numbers, political considerations being wholly excluded. They have contributed much to the growth of benefit societies. Above all, they have founded loan associations in aid of workingmen's houses, which act as agents and guarantors in the dealings of the Caisse Général d'Épargne with workmen who desire to build houses. In addition, the ingenious combination of life insurance gives the family of the workman immediate ownership of the house in case he dies before the annual instalments have all been paid. In Brussels, indeed, a workman can construct a suitable house for 3,000 francs, land included. It is to be hoped that an important *élite* of workmen will become proprietors of their homes, and thus enter the ranks of that *bourgeoisie* which is denounced with such indignation by socialist leaders of every stripe, though in reality the ideal of all industrious and thrifty workmen.

The *comités de patronage* are a nascent institution; but, to judge from first appearances, they may be expected to do more and more. They interest in the welfare of the people many of those persons of wealth and leisure who are so numerous in our old societies, and who are therefore not simply heads of factories concerned with a special group of workmen. But the obligation of the well-to-do classes to give disinterested aid to workmen who are in the way of helping themselves is a Christian duty, distinct

from almsgiving and quite in keeping with the development of modern society. Already in the towns of North Italy the *patronati*, including clergymen, members of the liberal professions, and the nobility, have powerfully aided the rise of people's banks, distributive co-operation, and forms of workingmen's insurance suited to the country.* In Belgium the general conditions are still more favorable, and it will be an honor to that nation to have given such practical expression to the duty of the *well-to-do classes in a democracy.*

At the same time that the Belgian government was passing a body of laws so favorable to workmen, it was careful to guarantee freedom of labor. The law of May 30, 1892, without in any way limiting the right of combination, strengthened the penalties for boycotting and other crimes against the liberty of those who want to work or hire work. Since coming into power, the Catholic party has had to struggle with many difficulties. Belgium is permeated both by German Socialism in the Flemish provinces and by French Socialism in the Walloon provinces. It feels the recoil of the agitations which arise in both the neighboring countries. Finally, the revision of the constitution was the occasion of an uproar that politicians made the most of. In spite of this, in eight years peace has been re-established and the material condition of the workman considerably improved. Wages have risen, and the necessaries of life have fallen in price as a result of general causes which tend to bring about a fall in the staple articles of consumption. This favororable situation must be credited in a large measure to the good policy of the present minister. He has cut down taxes and public expenses. He has stripped most of the taxes from coffee, which is a very important article in common diet. He has opposed all efforts to raise the

* Author's work on *Le Socialisme d'État et la Réforme Sociale*, 2d edition, Paris: Plon, 1890, p. 359.

price of bread by import duties on cereals. While favoring the claims of workmen, he has vigorously maintained the freedom of labor. A good administration and a good policy have an influence upon economic conditions that cannot be overlooked.

Finally, there is ground for hoping that humanity is to make substantial progress. Many forces are conspiring to this end,—first of all a public sentiment well disposed towards manual laborers. It not only tends more and more to check the abuses which arise, but experience shows that in Europe as in the United States the issue of strikes is almost always in favor of that one of the two parties for which public opinion gives its verdict. This public sentiment is due both to the influence of democracy and to the gospel, ever inclined to help the weak. It has received a great impulse from the encyclical published by Pope Leo XIII. in 1890. But democracy has its dangers, and universal suffrage cannot solve economic problems as it cuts the Gordian knot of politics.

Science and religion must teach the sovereign people that in practice it can no more do everything than in justice it can desire everything. These two great forces coordinated with one another under the supreme law of Christ are the necessary safeguard of democracy. It is one of the greatest services that the Pope has rendered modern society that, in addition to giving a great impetus to the practical amelioration of the lot of workingmen, and in addition to upholding their rights as against capital, he has at the same time condemned the principal errors relating to economic order, and has fixed an impassable gulf between Socialism and the great religious organization over which he presides.

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December, 1892.

RECENT LITERATURE ON PROTECTION.

WITHIN the last two years a number of volumes on the protective controversy have appeared, making a considerable addition to the literature of the subject. Some of the new matter was designed primarily to affect public opinion in the campaign just closed. Some of it has an interest of a more permanent sort. A survey of these publications may be of interest to the readers of this *Journal*.*

Of the books enumerated below, some can be disposed of very briefly. Mr. Moffatt's thin volume on the tariff consists of reprinted newspaper letters, which are doubtless above the average quality of contributions to the daily press, but are of little permanent value except as indications of the mode in which the popular mind was addressed in the year 1892. The most striking feature in them is that the author, while an unqualified opponent of protection, yet has only good to say of the Hawaiian reciprocity treaty of 1876, which he describes as a case of "limited free trade." He fails to see that the limitation took all the virtue out of the free trade,

*(1) *The Tariff*. By S. E. Moffat, Washington correspondent of the San Francisco *Examiner*. New York: P. L. Webster & Co. 12mo, pp. 112.

(2) *The Farmer's Tariff Manual*. By Daniel Strange. New York: G. P. Putnam's Sons. 8vo, pp. 363.

(3) *Economic and Industrial Delusions: A Discussion of the Case for Protection*. By Arthur B. and Henry Farquhar. New York: G. P. Putnam's Sons. 8vo, pp. 424.

(4) *Taxation and Work: A Series of Treatises on the Tariff and the Currency*. By Edward Atkinson, LL.D., Ph.D. New York: G. P. Putnam's Sons. 8vo, pp. 296.

(5) *The Economy of High Wages: An Inquiry into the Cause of High Wages and their Effect on Methods and Cost of Production*. By J. Schoenhof, late United States Consul. With an introduction by Thomas F. Bayard, late Secretary of State. New York: G. P. Putnam's Sons. 8vo, pp. 414.

(6) *Industrial Freedom: A Study in Politics*. By B. R. Wise, some time Attorney-General of New South Wales, and Honorary Member of the Cobden Club. London: Cassell & Co. 8vo, pp. 372.

(7) *The Commerce of Nations*. By C. F. Bastable, LL.D., Professor of Political Economy in the University of Dublin. London: Methuen & Co. 8vo, pp. 216.

(8) *The Economic Basis of Protection*. By Simon N. Patten, Ph.D., Professor of Political Economy, Wharton School of Finance and Economy, University of Pennsylvania. Philadelphia: J. B. Lippincott Company. 8vo, pp. 144.

and maintains an undiscriminating faith that any reduction of duties, however made, must work for good.

Mr. Strange's *Farmer's Tariff Manual* is more ambitious in form and in size: it undertakes to examine the theory of protection in general, its history in the United States, and its working as to a considerable number of articles in recent years. But Mr. Strange disarms criticisms by beginning his preface with the announcement that he has "no new theories to advance, no new facts to offer." He attacks vigorously the cruder arguments advanced by the other side, and disposes of them without trouble. Avowedly written with the object of convincing the average citizen in the campaign just closed, the book does not invite the attention of the economist who seeks new light on the subject.

The volume on *Economic and Industrial Delusions* stated to be by the Messrs. Farquhar, but chiefly from the pen of Mr. A. B. Farquhar, is another unsparing attack on the current arguments for protection. The balance of trade, the notion that all prosperity has been due to high protection, panics and trusts, pauper labor and protection to agriculture, are taken up vigorously if not always with that sort of discrimination which would be expected of writers making greater pretensions to scientific treatment. A flavor of its own is given to the volume by the reference to the personal experience of the writers, who are manufacturers of agricultural implements. They point out that, "owing to advantages in labor and machinery, we [the Farquhar firm] are able to compete with all other producers in the world without protection," and that the duties on iron, lumber, and coal (*quære* as to the last item?) hamper their enterprise. And in a very effective passage Mr. A. B. Farquhar protests against

> that craven dependence on government pampering into which so many government industries have fallen. . . . On first beginning to manufacture implements for export, we [the Messrs. Farquhar] found, as have so many in similar lines, the margin of profits so narrow that unremitting vigilance, close and grinding study, were indispensably necessary to keep us in business at all, compelled, as American manufacturers are, to compete with makers abroad under no extra charges for

raw materials. . . . I cannot profess to have enjoyed this discipline. People do not always enjoy what is good for them. But experience has helped me to realize how impossible it is to make a strong man by feeding him, like a baby, from a spoon.

It would be a mistake, no doubt, to lay it down as an unfailing rule that this bracing effect of competition is lacking when it is confined within domestic bounds; but certainly here is interesting testimony of the experience of one who has met foreign competition with success.

Mr. Edward Atkinson's volume on *Taxation and Work* contains some thirty essays, or chapters, in a compass of about three hundred pages. The modest sub-title, *A Series of Treatises on the Tariff and the Currency*, disclaims any attempt at systematic treatment, and the different topics of the volume are connected chiefly by the present political importance which they have in common. The later chapters, which discuss the monetary situation, and especially the silver situation, hang but loosely with the bulk of the volume, which is concerned with the tariff. Even in the body of the book there are chapters which depart far from the main line of thought, like that on the niggardly pay which our government grants to its responsible officials, or that on the burden of great standing armies in European countries.

So far as the tariff question goes, Mr. Atkinson, in his closing treatise, or chapter, professes himself to stand on a middle ground between "the doctrinaire free-traders and the intolerant advocates of McKinleyism." He adopts nevertheless, as the motto for the volume, a quotation from the decision of the Supreme Court in the well-known case of *Loan Association* v. *Topeka*, to the effect that a grant in aid of private enterprises "is not the less a robbery because it is done under the forms of law, and is called taxation." And, again, in a somewhat extended consideration of the suit as to the constitutionality of the sugar bounty, supposed to involve the same principle, he uses expressions in which a cavilling critic might find some perceptible remnants of a doctrinaire spirit. It might be thought, too, that, when Mr. Atkinson lays it down in italics that "all taxes that the people pay, the government

should receive," he states the essential principle of free trade without qualification. But in his specific proposals he does not go so far. He is willing that duties on certain sorts of manufactures should remain, such as silks, laces, finer textile fabrics, china-ware, earthenware; though, surely, these may operate as protective duties, and may impose taxes that the government does not receive. There seems to be some further spirit of concession to the other side in the proposition that in selecting the subjects for duties "such discrimination should be used as will most fully protect American labor from injury."

Practically, Mr. Atkinson urges the immediate abolition of duties on raw materials, such as wool, flax, hemp, iron ore, and (apparently) pig iron. In these specific proposals many will agree who might find themselves unable to accept all of his general reasoning, and might differ as to the degree of benefit which the proposed changes would bring. He calculates that duties on materials which now bring to the government a revenue of but fourteen millions cause to the people a burden of fifty times as much,— seven hundred millions. The extent of the burden of such duties on the community can hardly be ascertained exactly or approximately; and even Mr. Atkinson's ingenious methods of figuring do not avail to prove so huge a loss as he computes.

Mr. Schoenhof's volume on the *Economy of High Wages* divides itself into two parts. The first professes to investigate the cause of high wages; the second, the effect of high wages. It would be more accurate to describe the first part as a discussion of the general conditions which bring it about that wages are high or low; the second part as an investigation, made with special regard to our tariff legislation, of relative money wages and money expenses of production in certain industries in the United States and Europe. The value of the two is very different. The more general discussion of the first part contains much that is false or but half-true. The second contains a mass of interesting and instructive information.

Briefly, the general reasoning in the first part is that high wages and a high standard of living increase efficiency; for

high wages lead to more strenuous exertion, and lead to greater use of machinery. But great efficiency leads to high wages. Consequently, high wages cause high wages. This happy solution of the wages problem naturally leads Mr. Schoenhof to reject both "the old theory of wages"— namely, Ricardo's "so-called iron law"—and the view of the wages question taken by such a writer as Professor Brentano. Like others of optimistic trend, he finds himself equally repelled by the impassive treatment of the problem at the hands of the classic school and the sentimental acceptance of the laborers' views of their woes which characterizes the writings of the more extreme dissidents. Mr. Schoenhof carries his optimism so far as to assure us that "employers can under no possibility lose where a permanently high rate of wages prevails," the ground being that higher wages "simply register improvements in the economy of production," while "the employer gains positively by the rise in the standard of wages through the increasing demand thereby created for the increasing product."

Not to mention the fallacy in the last-quoted opinion as to the effects of increasing demand on profits, what a pity it is that so cheerful a view of the wages question does not conform to the facts of the case! It may be freely admitted that the productiveness of labor in the long run is the most important factor in determining the range of wages: so much all economists would admit, even though they differ among themselves as to the machinery by which great productiveness works out its effect of high wages. But to reverse the proposition, and say that high wages cause efficiency,— and so, by a simple circle, cause themselves,— is a very different thing. No doubt there is a measure of truth in this mode of approaching the subject. The greater intelligence, strenuousness, inventiveness, general activity of brain and body, which are found in a population long possessed of high wages and maintaining a high standard of living, are real causes of efficiency in production. But this group of forces is only one among a number, all of which contribute to make labor yield a large product; and at best it acts slowly and over long periods of time. To say that higher wages are the direct and prompt

cause of greater efficiency of labor, or that the increase in efficiency is likely to be in any proportion to the higher wages, or that employers are really mistaken in supposing it to be for their immediate interest to keep wages low,—all this is calculated to bring economic speculation into contempt.

It is but fair to Mr. Schoenhof, however, to say that his general propositions, while laid down very broadly, are always presented with an eye to a particular application,—their bearing on the tariff controversy in the United States. Here Mr. Schoenhof stands on firmer ground, and has something to say that is interesting and valuable. In his second part he takes up a number of industries to which protection is now applied, and attempts to ascertain the comparative efficiency of European and American labor in them, and the comparative rates of money wages. He thus reaches a conclusion as to the money expenses for labor — or, as the common phrase is, the "labor cost" — in a large number of articles. At the close of the volume he summarizes his results. For making stoneware, glassware, coal, iron ore, steel rails, cotton yarns and cloths, boots and shoes, the money out-lay for labor is less in the United States than in Europe; for pig iron, coke, woollen dress goods, it is greater; for carpets it is about the same. There can be no doubt that the efficiency of American labor is greater than that of European labor in a very large number of manufacturing industries, and that Mr. Schoenhof is right in concluding that a great reduction or entire repeal of the existing duties would in no way affect them; unless, indeed, by cheapening their materials, it enabled them to reach the stage of exporting their products. The cause of this superiority, which would enable such industries to pay wages at the American rates even in face of unrestricted competition from abroad, is to be found partly in the energy, skill, and ingenuity of employers, partly in favorable natural conditions, partly in greater strenuousness of exertion by the workmen; and we may admit — to repeat what was said a moment ago — that the higher wages are in some degree a cause, although in the main only an effect, of greater efficiency.

It is unfortunate that Mr. Schoenhof's interesting facts and

figures on this subject are presented with so pronounced a bias. It is at best a difficult thing to ascertain from books and accounts what is the expense of bringing to market a particlar commodity, or the part which the wages bill plays in that expense. No test on such a matter is so conclusive as that of competition in the market, and we can never be sure that the American manufacturer can produce as cheaply as his European rival until he has met him in an unprotected field. Meanwhile estimates like Mr. Schoenhof's are helpful; but he has an obvious disposition to minimize any disadvantages — other than those arising from duties on materials — of the American producer, and to magnify his advantages. His figures will not fail to be challenged by the other side, and, though undoubtedly collected with painstaking industry, cannot command the confidence which would be insured by a more judicial attitude towards his subject.

The substantial volume issued under the seal of the Cobden Club, on *Industrial Freedom*, comes from a writer whose opinions have been affected by two influences of very different sorts. Mr. Wise is an Oxford man, and was member of a society for the discussion of economic and social questions of which Toynbee was the guiding spirit; and in such an environment he must have been led to take a critical view of the classic doctrines on international trade as well as on other subjects. Mr. Wise, an Australian by birth, in due time became Attorney-General of New South Wales, a friend of Sir Henry Parkes, and a prominent member of the Conservative party which has stood out against the protectionist movement in Australia. In this capacity his mind would naturally become more open to arguments in favor of free trade than to those in favor of the opposite policy. The signs of these two influences are to be discerned in the work before us. Mr. Wise is careful to point out that international free trade has no necessary connection with any general doctrine of *laissez-faire*, and connotes nothing as to the desirability of unrestricted competition in general. He has something to say of the fundamental assumptions of political economy, and of the individualist school, enters on the question of the limits of State interfer-

ence, and assents emphatically to the view that the conditions of competition are very different in the market for labor from those in the market for commodities. On the other hand, his political career may be inferred to have led him to some statements not of a judicial cast in regard to the working of free trade and protection. It may be doubted whether the prosperity of Great Britain, promoted as it undoubtedly has been by the policy of free trade, felt the stimulus as unmistakably and instantaneously as Mr. Wise (following Mr. Gladstone) would have us believe. It is doubtful, also, whether the growth of great military armaments has a very close connection with the revival of protection on the continent of Europe. And it is going too far to imply that "trusts and combines" could not be permanently successful if exposed to foreign competition, or to say, as clearly as Mr. Wise does, that free trade has a distinct effect in mitigating, or protection in increasing, the severity of fluctuations in industry and of commercial crises.

On the whole, Mr. Wise's book, while it hardly offers much that is new, is a thoughtful contribution to the literature of the subject. He is familiar with the English literature of the subject (that in other languages is not referred to), and quotes copiously from writers on both sides. The volume divides itself into four parts: an introductory consideration of the revival of protection, which he rightly declares to be due to very different causes in different countries; a further introductory part on the relations of economics and politics, and the distinctions between economic and political considerations; and, then, two independent parts on the economic and political arguments respectively. The distinction between these two sets of arguments, however, is not drawn with unfailing discrimination: the young industries argument, for instance, appears among the political arguments, though surely its main lines are economic. The core of the matter, Mr. Wise rightly insists, is a question of production, — whether restrictions on imports operate to increase the total productive powers of the community. He repeats the familiar reasoning that restrictions divert industry into channels less productive than those into which it would other-

wise go, but states it with some exaggeration and apparently some confusion of thought. Protection, he says, causes three distinct sorts of losses: (1) the lessening of the productiveness of labor and capital by the diversion from more to less profitable occupations; (2) the necessity of "a fund out of which the profits of the protected industries may be made equal to those of the national industries"; and (3) "the decrease in the purchasing power of the consumer, arising from the increase of prices occasioned by protective duties." But, surely, the second and third are not separate and additional losses: they are merely the concrete form in which the first loss is distributed over the community at large. It is not often, however, that Mr. Wise is guilty of confusion of this sort. In the main, his reasoning, if not always judicial, is in substance unimpeachable.

One or two minor errors may be noted. Mr. David A. Wells is described as "now happily again a Senator of the United States,"— a promotion which that distinguished gentleman has not yet secured. In several passages the Wharton School in the University of Pennsylvania is referred to as if its instructors were under bonds to teach protectionist doctrine. Whatever may have been the case at the outset, the scholars in that institution are certainly now under no such fetters, and imputations as to their lack of independence have no foundation. Mr. Wise, it may be added, has something to say of Professor Patten's contributions to the protective controversy; but he does not meet squarely the reasoning of his opponent, and leaves that part of the discussion in no more satisfactory state than he found it.

Professor Bastable's volume on the *Commerce of Nations*, in the series of *Social Questions of To-day*, is in some respects misnamed. It is a discussion of protection and free trade, and of those aspects of international trade which touch on that controversy. Such a discussion may neglect much that is interesting and important in the commerce of nations; and the author himself would not assume that he has covered the subject indicated by the title. The historical aspects of the question — to which the volumes of this series are to give special attention, and which Professor Bastable in his preface

proposes to make prominent — are treated by describing the history of tariff policy, and not the history of commerce. Similarly, the discussion of the questions of principle is carried on, with the exception of two introductory chapters, with reference simply to the arguments for or against protective duties. The real subject of the volume, then, is the protective controversy.

This subject is treated in the sober and scholarly fashion to be expected from so skilled and capable an economist; and the volume gives a better and fairer statement of the pros and cons of protection than has been offered to the public for many years. Yet it may be doubted whether the plan of the book is such as to accomplish either of the two objects which it may have in view,— a presentation of the subject for the general public or a discussion of the special topic for those already versed in economics. It begins with two brief chapters on matters of principle; then come half a dozen chapters on the mercantile system and on the tariff history of England, the United States, Continental countries, and British colonies; and at the close we have again chapters touching chiefly on questions of principle, such as the economic, political, and social arguments, reciprocity, commercial federation, and so on. In all three parts the question may be asked whether the treatment is not too compact to be helpful to the untrained reader, too sketchy to be helpful to him who is trained. Thus one of the early chapters, on the leading features of international commerce points out that international trade is but a form of the division of labor, carried on under the peculiar conditions described by the phrase "comparative costs." The uninformed reader would hardly get from the brief exposition any clear notion of what the doctrine of comparative costs is, while the student already familiar with the subject would wish for a more careful consideration of the nature of the difference between domestic and international exchange. Similarly, in the historical chapters, the tariff history of the United States is disposed of in a dozen pages, which aim to cover the period from 1789 to 1890. So brief a sketch must have a kaleidoscopic effect on those who know nothing, and cannot add much for those who

already know something. It may be questioned whether the elucidation of principle by illustrations from experience might not have been better accomplished by considering more in detail one or two important cases than by sketching so hastily the history of many countries. In the trade between England and the United States, or between England and the Continent, some striking illustrations of the working of the principle of comparative costs could be found; and a careful discussion of these would probably be more helpful both to the trained and to the untrained reader than the several histories of legislation which Professor Bastable gives.

The most important chapter in the latter part of the volume is that on the economic arguments for protection, seventeen of which are separately enumerated and discussed. Some of these are of a sort hardly needing very serious attention, except for the benefit of those quite new to economic discussion: others play an important part in the controversies between economists. In the main, Professor Bastable is just and discriminating. In his consideration of the young industries argument, he rightly lays stress on the fact that as between different parts of the same country — especially the East and West in the United States — the young industries spring up without aid in the newer regions, as industrial conditions change and as the industries become really advantageous. On the other hand, he seems to make a mistake in treating the argument that protection lowers prices as one independent of the young industries argument: is it anything but a variation of this latter? In general, something would probably have been gained by consolidating the arguments more, and giving them a more connected and continuous treatment. The separate consideration of so many lines of reasoning gives an air of scrappiness and an impression of greater variety and complexity of reasoning than in fact exists. Some parts of the chapter perhaps are fairly open to more substantial criticism. The alleged effect of protection in attracting immigration, whether of labor or of capital, seems to the present writer not to be adequately disposed of. But, on the whole, if criticism is to be made on the volume, it must lie rather against the plan than the execution.

Professor Patten's *Economic Basis of Protection*, which comes last on the list of books here under review, was published some two years ago. It stands on very different ground from the others, and deserves a notice, even though a belated one, in any review of recent contributions to the protective controversy. It is a presentation of the case for protection by an able and distinguished scholar, whose reputation is great and growing. Its arguments are very different from those commonly heard. Indeed, the ordinary protectionist, if he succeeded in reading and following Professor Patten, would be nonplussed at the dress in which the argument for his policy appeared. Professor Patten is nothing, if not original; and here, as elsewhere, he advances new propositions and fresh lines of reasoning.

The main argument in favor of protective duties is derived from the law of diminishing returns. In countries producing raw materials, says Professor Patten, the effect of free trade is to cause the exportation of raw materials, and especially of food. The quantity produced, say in the United States, is greater than it would be without the foreign demand. Inferior soils are resorted to, the price rises, and the consumers of food are worse off than they would be in the absence of the foreign demand. Rent rises, and "natural monopolies" have a greater share of the total production. In the foreign country producing manufactures, the reverse happens. Less food is raised, poorer soils are thrown out of cultivation, the price of food falls, and rent declines. The food-exporting country loses, the food-importing country gains.

This has a seductively logical appearance. It seems to meet Ricardo on his own ground, and overthrow him with his own weapons. But an attentive examination of the case supposed will show that the rise in the price of food and in rent does not of itself indicate that the trade of the food-exporting country with the other country is a losing one, and, moreover, that, if the trade becomes a real source of loss, it will cease of its own accord. If we consider the case as it stands before the demand for food brings the supposed resort to poorer soils, we find the cause of international trade to be that a given amount of labor devoted to raising and exporting

food will yield more of imported goods than the same labor would yield if applied directly to making such goods at home. Assume now, as Professor Patten does, that an increased production of food causes a resort to poorer soils, a higher price of food, and a rise in rent. But, even at the higher cost and price of food, the labor devoted to raising and exporting it may still yield a higher return in imported goods than the same labor would yield in their domestic production; and, if it failed to do so, food would cease to be exported. Undoubtedly, the community loses by having to resort to poorer soils; but it may remain more profitable to export even the lessened product of agricultural labor than to make manufactures at home. The loss from the pressure of the law of diminishing returns is offset by the gain from cheaper imports. When that gain ceases, the trade will cease also.

The rent which the best land first taken in cultivation will yield under the conditions assumed is spoken of by Professor Patten as a source of loss. But, surely, it is really a mitigation of the loss which the resort to inferior soils entails. Though the land-owner pockets the excess of yield on the first soil, the community does not lose it. If the distribution of wealth so ensuing needs to be corrected, the method should not be one that involves a diminution of the productive power of the community as a whole and of the marginal laborers in the community. Professor Patten seems to perceive that there is a difficulty here; for he maintains that, after all, the farmer (*i.e.*, land-owner) does not gain from the high price of food, because the high price merely increases "the share secured by the many monopolies standing between the farmer and consumer." If there be such monopolies, they are certainly of a different sort from the "natural monopolies" which Professor Patten usually speaks of as gaining at the expense of the rest of the community from the workings of international trade. In any case, the introduction of these other monopolies is a departure from the Ricardian simplicity of reasoning which marks the main line of argument; and it does not appear that they have anything to do with protection.

So far as the application of Professor Patten's reasoning to the actual development of industry is concerned, it is obvious

that in a new country like the United States, possessing hitherto an abundance of fresh land, the tendency to diminishing returns has not been felt. Nor is there any evidence to show that, say in Australia, an increase in the production of wool would lead to a higher price of wool. The deductive reasoner is always in danger of falling into the mistake of which Ricardo and his followers are justly enough accused,— of applying to every-day phenomena conclusions based on assumed premises, without inquiring carefully whether the premises hold good. How much worse is the result if the conclusions do not even follow logically from the premises!

Another theme which recurs in Professor Patten's volume is the distinction between static and dynamic societies; an active, as distinguished from a passive, policy being specially commended for "dynamic" societies. It is not clear that the distinction between static and dynamic societies is essentially different from that which economists have had in mind between old and young countries. We are told that "a dynamic state [is] caused by the fact that the energy of the people is so great that they are opening up new opportunities for labor as rapidly as population grows." Has England been dynamic or static during the last half-century? Was the United States less dynamic between 1846 and 1860 than in the last fifteen years? And was an active policy then followed by these two communities? Activity by the labor and capital of the community is the important thing, as Professor Patten would certainly not deny; and this does not necessarily arise from activity by the government, least of all from one particular phase of public activity. There is an appearance of scientific precision in the use of the words "static" and "dynamic"; but it is not clear that any precise use of the terms is in fact kept in mind, or that any workable conclusions rest on the distinction. There seems to be a similar difficulty in determining what is an active and what a passive policy. Professor Patten remarks that "an active policy should not be confined to a tariff," and mentions internal improvements and manual training as other features in an active policy. No one would deny that government should do what it advantageously can towards increasing public welfare. The

problem is what forms of activity are advantageous and what not. A "passive" policy as to international trade may be the best, even though passive.

There are references in the volume to some industries which, it is said, could be advantageously carried on in the United States, and yet are not. The production of tea and raw silk in the Southern States is so spoken of. It is not easy to see that the grounds for advocating duties on these articles are essentially different from those of the familiar argument for protection to young industries, or that any really new grounds are presented for an "active" policy in levying import duties. The fact probably is that these particular commodities are not produced in the Southern States because of permanent obstacles. They are produced with a preponderant use of manual labor. General intelligence, skill and ingenuity, mechanical capacity and training, cannot apparently be advantageously applied to them. The outlook for educational protection, or protection to young industries, is consequently not promising. He would be a doctrinaire who alleged that every possibility had ceased for the successful application of such protection; but whether the probability exists is another matter, in which the likelihood of wisdom and discrimination by the legislators must be an important factor. General advocacy of an active policy for a dynamic society does not help us to any definite solution.

It would be unjust to close this notice without recognizing once again the scholarly character of Professor Patten's writings and the stimulating influence of his discussions. He is an original and subtle thinker, trained in the old theory and the new, and ambitious to enter on new paths and make fresh discoveries. If he shares with the socialists a drift to erratic reasoning and a lack of sound judgment as to what things are practicable as men and governments now are, he shares with them also a keen insight into the defects of the existing industrial organization and an undaunted disposition to challenge accepted conventions and half-truths. Such a thinker, even though his specific recommendations may sometimes raise a smile, can do notable service in the advance of economic theory.

F. W. Taussig.

SOME EXPLANATIONS RELATING TO THE "THEORY OF DYNAMIC ECONOMICS."

THE progress of political economy has involved a shifting of the point of view of economic writers and the grouping of the doctrines of the science about new centres. Ideas, also, which at first are introduced as isolated phenomena out of any direct relation to the main body of economic theory, gradually assume a more important place, and finally become the basis of the greater part of economic reasoning. Of this change of which I speak, probably the doctrine of utility is the best example. It was first introduced in a casual way to illustrate the definition of value. Even in the writings of Mill it was not vitally connected with his system of political economy, although it was made the basis of his theory of morals.

The recent works of Jevons, Menger, and their many followers, have at length given the principle of utility a fundamental place in the theory of value. These writers have also reconstructed the theory of distribution, and in this way the greater part of deductive political economy is based upon or grouped around this one thought. In the *Theory of Dynamic Economics* I have tried to develop a theory of prosperity, putting the doctrine of utility at its basis. The older economic writers deal mainly with the theory of prosperity, and it is only since the time of Ricardo that the theories of distribution and value have assumed a dominant place in economic speculation. As a result of this transfer of interest from one portion of the science to another, great confusion has arisen both in ideas and nomenclature. As has often been pointed out, economics is very defective in the terms which express the leading ideas of the science. These terms are drawn necessarily from popular usage, have many meanings, and are too few in number to express properly all the shades of meaning which an economist desires to emphasize. The terms, therefore, which were used by the earlier writers in the theory of prosperity have been used with other meanings by later writers in the theories of value and distribution.

In an attempt to revive the interest in the theory of prosperity, I naturally used many words according to the manner of the earlier writers, and sought to introduce some new distinctions which seemed necessary in putting the principle of utility at the basis of the theory of prosperity. There is, therefore, need of great care in reading my book to keep in mind the meaning which is given to words, and to contrast consciously the theory of prosperity and that of value. Professor Clark has done this in an admirable way in his review of my book,* but as much can hardly be said of the review by Professor Hadley.† The latter has assumed that the only proper use of terms is that to which he is accustomed in the discussion of the theory of value; and, by neglecting the careful explanation of the use of words which I have given in my book, he is able to make it appear that my analysis is confused and my reasoning erroneous. As other readers may judge my book from a similar standpoint or be influenced by his opinions, I desire to explain anew the ideas he has misunderstood.

Professor Hadley compares my analysis of the psychological motives in the act of production with that of Jevons, and asserts that my analysis lacks the rigidity of reasoning which is so admirable in the case of Jevons. The analysis is, however, quite similar, differing only in the fact that I appeal to more psychical elements than Jevons does. We both assume that, with the increase in the quantity produced by a workman, the marginal utility decreases and the marginal cost increases. Jevons assumes that the workman will cease production when the marginal utility equals the marginal cost. I assume that the workman, in a favorable environment, will not work so long, but will cease to produce while the marginal increment of production yet yields a surplus in consumption. I shall not try to prove my conclusion; but it plainly rests upon certain psychical phenomena which do not affect the rigidity of my reasoning, if my assumptions are facts. The theory of the relation of cost to value must then be reconstructed to correspond to the new data, and the subsequent reasoning modified in a similar manner.

* *Annals of the American Academy of Political and Social Science*, July, 1892.

† *Political Science Quarterly*, September, 1892.

There is in this analysis no comparison of the pleasures and pains of one man with those of another man.* The subject of my analysis is isolated to the same degree that Jevons isolates the subject of his analysis. Such analysis of the motives of the individual I hold, with Jevons and with Professor Hadley, to be essential, and claim that I have fulfilled the conditions.

When, however, we have analyzed the motives of the isolated producer, he must be placed in a social environment, and the modifications which arise from these new conditions must be considered. And here, again, I claim that my reasoning is similar to that of Jevons.† He does not contend, for example, that there never are in the same market two prices. He uses the law of indifference to help himself out.‡ This law, when expressed in its broadest terms, claims that an economist can overlook phenomena that in no way affect the conclusions he desires to draw. With proper explanations, Jevons thinks that it may be claimed that there is only one price in the same market; yet, in proving this law, the defective credit of purchasers, and their imperfect knowledge of the market, are consciously overlooked. Professor Hadley could with equal force have asserted that Jevons's assumption was "a palpable mistake" as to say this of my assumption. The real question is not, Do my assumptions differ from those of Jevons? but Do I draw conclusions that would be vitiated by the fact that the pleasures and pains of individuals differ?

This question can only be decided by a detailed investigation of my book. In explaining the first diagram (page 70), I call attention to the fact that no attempt is made to determine the exact amount of pain that the production of each increment demands, and that the lines measuring it are placed where they are merely for the sake of simplicity. It is, therefore, not the equality of the pleasures and pains of different persons that I assume, but that these facts are of no importance in my reasoning. I try to represent the effects of progress upon the utilities and pains of the members of a society, and my real assumption is that the changes in these quantities are all in the same direction. For example, an improvement in farm ma-

* See *Dynamic Economics*, Figure I. on page 70.

† *Ibid.*, Figure II. on page 72.

‡ See Jevons's *Political Economy*, page 99.

chinery would affect the subjective costs of all farmers in the same way. Not that every farmer before the improvement had the same costs, nor even that the improvement reduced the efforts of all farmers to a like degree, but that every farmer's costs would be less than before, and hence the lines measuring the costs should be differently located under the new than under the old conditions. So, also, with the increase of utility due to improvements in consumption. The introduction of sugar, for example, will add something to the utility of each individual; and hence the lines measuring the surplus of utility must be differently drawn, even though the additions to the utility of different individuals are not the same.

The claim that consumer's surplus and differential gains decrease relatively with social progress does not assume that they decrease to each individual in a like degree, nor does the law that total subjective value in a dynamic society approximates more closely to the total utility of commodities demand this assumption for its proof. These laws merely represent tendencies and assume the indifference of extraneous facts.

There are, then, two distinct kinds of analysis which must be consciously contrasted. When we consider the pleasures and pains of an isolated man, the quantities of which we treat are positive, and the comparisons direct. When, however, we pass from the economy of the isolated man to that of a group of men in social relations, the quantities are relative, and our comparisons are between the pleasures and pains of such a society at different stages of its progress. The diagrams illustrating this class of problems merely show the effects of a group of tendencies which act on all individuals in the same way, but to unlike degrees.

Professor Hadley is also mistaken as to the comparisons which Jevons makes of the pleasures and pains of different individuals. That the reasoning and premises of Jevons are similar to mine is shown in many places, of which I shall give a few examples. In reference to Figure VII., on page 156 of his *Political Economy*, he says: "Let the wool of Australia be represented by the line *o b*, and its total utility to Australia by the area of the curvilinear figure *o b r p*. Let the utility of a second commodity, say cotton goods, to Australia be similarly

represented in the lower curve, so that the quantity of commodity measured by $o^1 b^1$ gives a total utility represented by the figures $o^1 p' r^1 b^1$."

In these sentences, and in the subsequent reasoning, the utilities of articles to different persons are compared and the relative utility of each increment fixed. The utility of the whole supply of wool to Australia is regarded as a definite quantity which can be represented in a figure. It is not assumed that the different increments of wool have the same utility to all Australians, but it is assumed that the utility of these increments to different persons has a common standard through which they can be measured and compared. The figure used by Jevons does not differ in kind from the figures that I use; nor do I use any assumptions which he does not need. The only difference is that my figures represent the utility of the whole produce of a nation, while his figure includes only the utility of single articles.

In comparing the sacrifices of different individuals, Jevons goes even farther than I do. On page 234 he says, "I shall suppose that a certain laborer *or, what comes to exactly the same thing*, a body of laborers, expend labor on several different pieces of ground." The italics are mine, and they show that Jevons assumed that the sacrifices of different individuals could be directly measured. On the next page (235) Jevons uses even stronger language. He says, "We may say, then, that, whenever a laborer or a body of laborers distribute their labor over pieces of land with perfect economy, the *final ratios of produce to labor will be equal*." The italics are Jevons's in this case, and show that he did not hesitate to overlook the subjective differences in men when economic theorems were involved, the truth of which did not depend upon such differences. If further proof of the way Jevons reasoned is needed, I refer the reader to page 97 of his book, where he discusses what he calls the "Fictitious Mean." His opening sentence is, "It should be remarked, however, that the economical laws representing the conduct of large aggregates of individuals will never represent exactly the conduct of any one individual."

The assertion that I, misusing the term "subjective value,"

regard subjective and objective values as quantities of the same general sort, demands an explanation of these terms before a refutation of the charge is possible. We owe to the Austrian economists the term "subjective value"; and yet I think they employ the word in a wrong sense, making it, by their usage, really a species of objective values. To clear up a confusion which lies in the discussion of value, I have drawn the distinction between positive and absolute utilities. Positive utilities are the units of satisfaction we derive from articles of consumption. Subjective value, as I use the term, is always measured in terms of positive utilities. I define subjective value, in a positive way, as the quantity of pleasure we derive from an article; while the Austrians define it, in a negative way, as the utility we lose if we are deprived of an article. If different series of satisfactions did not depend upon one another, this distinction would be of no importance; but, since we often find that the loss of one element in one series of satisfactions deprives us of the pleasure of several different groups of articles, the distinction implied in defining utility in a positive or negative way becomes of fundamental importance, and places a large number of values the Austrians have termed subjective in the class of objective values. In short, we lose the possibility of rigid analysis if the distinction is neglected.

Suppose I ascend a mountain, and desire food and shelter for the night, so as to enjoy the sunrise. The landlord demands ten dollars for these accommodations. I can return to the valley, and get food and shelter at a reasonable price; but I should thereby lose the pleasure of the sunrise at the summit. What, under these circumstances, fixes the price of the food and shelter on the mountain? Is it the subjective satisfaction I get from these commodities, or the objective relation between them and the sunrise I hope to enjoy? If it is the latter, then the value in question is objective, and not subjective. The increased price which the hotel-keeper demands is not compensated on my part by any increase of utility. It results merely in a transfer of a sum of utilities, which otherwise would be mine to enjoy, into the possession of the hotel-keeper. The theory of subjective values includes only problems relating to the increase and decrease of utilities. All problems relating to

the transfer of utilities from one person to another are in the domain of objective values. A transfer of utilities indicates a change in objective values, while an increase or decrease of utilities affects subjective values.

Subjective values, in the sense that the Austrians use the term, determine *market* values. In the sense, however, in which I use the term, subjective value determines the *normal* objective value of commodities.* Normal objective values tend to be proportional to the positive utility of the marginal increments of commodities. The field in which the Austrian economists are working is therefore different from the field in which I am interested. Using the term "subjective" in the way I do, several important relations become clearly defined which are obscured by the Austrian nomenclature. Perhaps these distinctions are of no importance in the consideration of objective values, but they are of prime importance in any attempt to measure the relative prosperity of a society at different stages of its progress.

The use of similar terms with different meanings is, perhaps, an excuse for confusing my ideas with those of the Austrian economists; but it gives no ground for the assertion that I use subjective and objective values interchangeably, and combine the two in one diagram. There is no diagram in which the two are combined, nor are the terms ever used in the same sense.† Subjective values rise and fall, while objective values are not sums, but merely ratios. Changes in objective values indicate a shifting of utilities from one person to another, while changes in subjective values indicate a better or worse condition of society. Every change in subjective values affects the objective values of commodities, some rising, while others fall. There is an increased demand for all articles; but, as some articles follow a law of increasing return, others a law of constant return, and still others a law of decreasing return, the change in subjective value alters the relation of marginal subjective cost to marginal utility to a different degree with each class of commodities; and hence there must be a shifting of objective values to create anew an equilibrium

* *Dynamic Economics*, page 65.

† See *Dynamic Economics*, page 64 and also the note on page 72.

between marginal cost and marginal utility. A change in subjective values may also affect favorably or unfavorably the possibility of the monopoly of particular commodities, and thus creates new causes for changes in objective values. Changes in objective values, however, seldom affect subjective values: they merely shift from one class of persons to other classes utilities already created by other forces.

It is not out of place in this connection to explain more fully the point where the change should be made from subjective to objective values. Subjective value relates primarily to present goods. It is the satisfaction we get from the marginal increment of any commodity we consume. We attribute or impute to future goods in the final stage of their production a subjective value equal to the marginal increment of the present goods we make from them. Future goods have no consumer's surplus. Each increment of wheat made into bread has the same subjective value. Individuals produce future goods, and exchange them with society for present goods. These future goods have a subjective value in the exchange equal to the marginal utility of the present goods produced from them.*

Producers, therefore, get for their future goods (including the interest for waiting) a sum equal to the subjective value of all present goods. Consumers get free only the sum of the consumer's surplus. This sum only appears when the present goods get into the hands of the final consumer. Producers cannot get this part of the surplus without arbitrary prices. All other parts of the surplus fall into their possession, because the imputed value of the future goods they produce equals the subjective value of the present goods made from future goods.

Whenever there is a rise in the subjective value of present goods, the imputed value of future goods rises to a like amount. The rise in the subjective value of future goods is not equal, because producers are compelled to impute the

* In explaining this statement, it should be kept in mind that goods continue future goods until they are handed over to the final consumer. Saving is a productive act, the reward for which is an element in the subjective value of future goods in their final form just before they become present goods to their ultimate consumers.

greater part of the added utility to the rarer articles whose rate of increase is the slowest. The ratios of exchange of these future goods will change to the advantage of the more slowly increasing factors of production. The difference, therefore, between subjective costs and the subjective values of future goods are appropriated by producers as a class; but the distribution of this fund of surplus value (the difference between marginal cost and subjective value) is a problem of objective values. We must know the ratio in which commodities exchange before the shares in the surplus value of the different producers can be determined. In this manner we can delay for a long time the passage from the consideration of subjective to objective values; but in the end it must be done, or some of the problems of distribution will remain unsettled.

The validity of the claim that I combine subjective and objective values in one diagram depends upon the definition of the word "rent." Professor Hadley says that "rent is the excess of price over cost." I am surprised that he should base so important an argument on such a definition. He cannot but be aware that every leading economist from Ricardo to Jevons has defined rent in another way. "Rent," says Ricardo, in his well-known definition, "is the portion of the produce of the earth paid to the landlord." Rent from this standpoint is a part of the produce of the land, and not the price of produce. All proofs of the Ricardian theory of rent use the word in this way. It is of course true that these writers often use the word as an elliptical expression for money rents, but such a usage cannot be made a justification for an exclusive use of the word in the latter sense. If rent is produce, the satisfactions derived from wheat or potatoes are of the same nature as the satisfactions derived from cloth or books or furniture, and can be combined in one diagram with them without error.

The diagram in question represents in a simple form the facts upon which theories of the distribution of wealth are based. Most theories of distribution do not have the shares of the different factors measured in quantities of the same kind. Rent may be measured in produce, wages in money, interest in a rate per cent., and profits in future goods. Through this

lack of co-ordination of the parts there is unnecessary duplication, and parts of the produce of industry may not be accounted for or may be given away twice.

To avoid these evils, I measure every part in present satisfactions. The whole annual produce of the nation, the present goods fit for consumption, is the fund to be divided. Every factor has its share measured in these present goods and the satisfactions they afford.

In yet another way my theory differs from other theories of distribution. They suppose that there is a single law that controls the share of each factor. They have, therefore, a law of rent, of wages, of interest, and of profits, and assume that through these laws all the produce of the nation is distributed. I hold, however, that the annual produce of the nation is composed of several distinct funds, each of which has its own law of growth. These funds are then distributed to the various factors by a series of secondary laws. The surplus of society is not distributed by the same law that regulates the return a producer gets for his costs in aiding production. Rent, wages, interest, and profits are therefore usually complex funds made up of revenue derived from different sources. The problems of distribution thus become more complicated, and demand a more careful analysis of the phenomena involved before a satisfactory solution can be obtained.

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SOCIAL AND ECONOMIC LEGISLATION OF THE STATES IN 1892.

THE more important results of the legislative action of the various States, in so far as that action directly affects economic and social interests, have twice been summarized in this *Journal.** The year just closed was comparatively barren of such results. Only a few legislatures were in session; and, as a rule, the laws enacted were of minor importance. Some of them, however, deserve the attention of the economist, not so much because of intrinsic importance as because of the tendencies which they illustrate and represent.

The Maryland law defining the duties of the Bureau of Industrial Statistics has been revised and amended. In addition to the collection of statistics concerning the condition of labor and wages, the causes of strikes, and the like, it is made the business of the Bureau to investigate the agricultural, mining, and transportation interests of the State, and to keep a "bureau of general information." What is meant to be included in the last-named function is not clear; but, as an aid to the chief of the Bureau in conducting this branch of the work, all State officers are directed to transmit to him their official reports as soon as printed.

In Ohio eight additional inspectors of workshops and factories have been appointed.

The New Jersey arbitration law is very similar to that of New York. It is intended to apply to all grievances or disputes "growing out of the relation of employer and employees." The local board for the adjudication of such differences is to consist of five persons, two of whom are to be designated by the labor organization whose members are involved, and two by the employer, while the four thus chosen are to designate a fifth person to act as chairman of the board. In case the employees concerned are not members of any union, they may nominate two arbitrators by majority vote at a

* *Quarterly Journal of Economics*, April, 1891, and January, 1892.

meeting called for the purpose. As in New York, the initiative in forming this board can only be taken by the parties themselves; and neither party can be forced to submit to arbitration. After organization, but before any action can be taken, the board must be licensed by the county judge, whose duty it is to make an order establishing the board, and referring to it all the matters in dispute. Each of the arbitrators is required to sign a consent to act in such capacity, and to take an oath to faithfully and impartially discharge the duties of the office. One of the members is then chosen secretary, and the parties receive notice of a time and place of hearing. In administering oaths and issuing subpœnas for the production of books and papers and the attendance of witnesses, the board has all the power possessed by any court of record. Within ten days after the conclusion of the hearing a decision must be rendered, either by the full board or by a majority of its members. An appeal may, however, be taken to the State Board of Arbitration, which is a permanent commission of three members holding office for terms of five years each, one of the three being a member of a *bona fide* labor organization of the State. This State Board also has the powers of a court of record. It becomes its duty to investigate all cases of appeal from the decisions of local boards, and its adjudication in such cases shall be final and conclusive. Findings must be approved by a majority of the board. Grievances may be submitted directly to the State Board, without the intervention of any local process. Furthermore, it is made the duty of the Board to investigate strikes and lockouts, and to endeavor to settle such difficulties by mediation. An annual report to the legislature of all the operations of the Board is required.

In New York the so-called "anti-Pinkerton Bill" was finally passed. This measure is similar to those brought forward during the past two years in other States, and simply forbids the employment of peace officers who are not citizens. Essentially the same law was passed in Massachusetts.

Ohio limits the number of inmates of prisons, reformatories, and workhouses who may be employed in the manufacture of any kind of goods to five per cent. of the total number of free

laborers in the State engaged in the same industry, except in manufactures employing not more than fifty free laborers.

The New York statute relating to the sale of clothing made in dwellings is more radical than that of Massachusetts. It not only provides for inspection and supervision, but goes so far as to absolutely prohibit the manufacture of clothing in rooms used for eating or sleeping, except by members of the family occupying such rooms.

In Massachusetts the labor of women, and of minors under eighteen, in factories, was restricted to a maximum of fifty-eight hours per week. New Jersey factory employees secured the Saturday half-holiday. Beyond these two instances there was little general legislation relating to hours of labor.

Other laws especially affecting the laboring classes are: those in Iowa, Maryland, and New Jersey, for the protection of labor unions in the use of trade-marks and labels; those in South Carolina, Virginia, and Utah, establishing "Labor Day"; the Iowa law requiring manufacturing and mercantile houses to provide seats for female employees; the Massachusetts enactment prohibiting the coercion of employees into agreements not to join labor organizations; the Virginia prohibition of attempts to prevent discharged employees from obtaining work; and the New York ten-hour law applying to railroad employees.

In Iowa provision is made for two additional forms of insurance,— that of employers against losses caused by the acts of employees, or by accidents to persons or property, and against loss from steam-boiler explosions. Another law of that State restricts the investments of insurance companies to United States and State bonds, bonds and mortgages on unincumbered real estate worth at least twice the amount loaned thereon, exclusive of improvements, and county, city, or school bonds, and national bank stock. In the latter form of security the amount of investment must not exceed five per cent. of the assets. In Maryland co-operative insurance companies are henceforth required to deposit not less than $10,000 with the insurance commissioner.

The changes in the Virginia law for the regulation of common carriers are deserving of attention. Greater charge for a

shorter than for a longer haul, under similar conditions, is forbidden. Definite provision is made for the interchange of traffic between roads, for the publication of rate schedules and notices of advance in rates, for the maintenance of telegraph offices in depots, and the management of ticket offices, and for penalties in case of infraction of these regulations by the companies. Mississippi also enacts a long and short haul clause, and other safeguards against discrimination. The powers of the Georgia railroad commission are extended to express and telegraph companies.

Virginia decides that the railroad companies operating through lines shall be assessed on the average amount of rolling stock habitually used in the State. No method is prescribed for ascertaining this average amount, beyond dependence on the statements of the company's officers. In the taxation of palace and sleeping-car companies, however, a somewhat different rule is followed. Not the cars themselves, but such a proportion of the capital stock of the companies as is believed to be invested and used in the State, is taxed. This proportion is assumed to be the same as is represented by the ratio of the number of miles of road operated by the palace car company in the State to the total number of miles operated by it. The erroneous nature of calculations from such a basis is quite obvious. The length of road over which the cars are hauled is in itself no criterion of the value of the cars themselves, and cannot be said to represent the proportion of the total capital stock of the companies which is "invested and used in Virginia."

An Iowa law authorizes corporations engaged in the slaughtering and packing business to issue certificates and warehouse receipts for all products stored in their buildings and under their control.

Louisiana has passed a second "anti-trust" law, more rigorous than the first, and operating on foreign corporations with especial severity.

Maryland has fixed on a method for State and local taxation of distilled spirits. The rate of tax is to be the same as on other personal property. Distillers are required to make report to the State tax commissioners of all distilled spirits on

hand January 1. The tax commissioners shall then determine the value, and the owners are forbidden to remove spirits till the tax is paid. This is not a tax on annual product, but on stock in trade.

Apparently in anticipation of an increase in the number of local experiments in municipal ownership of lighting plants, the Massachusetts legislature has made a requirement that all cities and towns report to the State Board of Gas and Electric Light Commissioners on the purchase or establishment of plants and on the fixing or changing of the price of light. The enforcement of this regulation ought to result in the collection of statistics of some value to students of municipal finance. Ohio provides for the formation of municipal gas-works sinking funds for the redemption of bonds issued by municipal corporations for the construction of gas-works.

In several States attention was given to the important question of highway improvement. In Massachusetts a commission of three persons has been appointed to investigate methods of road construction and maintenance. The law creating this commission provides that one member shall be a highway engineer. Under the general road law of Georgia, commissioners of roads and revenues, ordinaries, or county judges, have power to open, change, or continue roads. There is also a system of "registration" of roads to guard against encroachments.

The State of Iowa encourages the holding of farmers' institutes by an appropriation of $50 to each county for institute expens[illegible] essors are charged with the collection of statistics of crops and live stock. Returns are made by them to the county auditors, who, in turn, report to the State Auditor. The State weather and crop service is maintained by an appropriation of $2,750 a year. Maryland also establishes a weather service, with its central station and office at the Johns Hopkins University. The services of the meteorologists employed are to be rendered without compensation. The Ohio weather bureau is placed under the control of the State Board of Agriculture.

The irrigation laws of our Western States and Territories have to do with interests which are rapidly growing in impor-

tance, and which involve to a great extent the agricultural and commercial development of vast areas. In Utah, as elsewhere in that region generally, ditch and reservoir companies have the right of way over private property. This year provision has been made by the Territorial legislature for cases of disagreement between the construction companies and the owners of lands. Hereafter, in such cases, three resident landholders of the county are to be chosen as appraisers; but an appeal may be taken from their findings by either party to the district court at any time within ten days after the appraisement. Pending such appeal, the construction of the works may proceed. The construction company is made liable for damages to the surrounding land from overflow. Companies are also granted the right to enlarge ditches constructed by other parties, to whom compensation is to be awarded for damages in the same way as to the owners of the lands in case of original construction.

In Maryland, Virginia, South Carolina, and Louisiana laws were made for the protection, regulation, and development of the oyster industry of the coasts and bays of those States. These laws define the rights of riparian owners, restrict the leasing of oyster lands belonging to the State, and provide for the taxation of the grounds, produce, and capital invested, the licensing and registration of vessels engaged in the business, the punishment of depredators, and the inspection of oysters. They also fix the limits of the dredging season. It is evident that each of these States is coming to an appreciation of the economic importance of the oyster fisheries.

William B. Shaw.

New York State Library, Albany.

SOUTH AMERICAN TRADE.

THE article on "Reciprocity" in the *Quarterly Journal of Economics* for October contains the following statement: "After all, the volume of our trade with the South American countries is small, and is likely to remain small." This may seem strange after all we have read and heard about the South American market in the last two years; but it is, nevertheless, true. As the article attempts no explanation of the point, except to state that "the bulk of our agricultural exports goes to Europe," some further discussion on the subject may be useful.

South America is, commercially speaking, a battle-ground between the United States and Europe, with the latter holding the position of advantage. The Bureau of Republics places the total annual imports of South America at $465,-576,000.* For the year ending June 30, 1891, the United States sent exports to South America valued at $33,226,401. These figures indicate that the United States has about one-fourteenth of the South American trade.

The following statement † shows the general condition of our trade relations with South America, giving the volume of imports and exports in millions of dollars: —

Year.	Imports from S.A.	Exports to S.A.
1880	82	22
1884	75	30
1888	84	28
1890	90	37
1891	118	33

From this we see that we buy of the South Americans about three times as much as we sell to them.

The distribution by countries of our exports to South America for the fiscal year 1891 is represented by these figures: ‡ —

* *Bulletin* No. 6 of the Bureau of American Republics, p. 3.

† *Commerce and Navigation of the United States*, 1891. Report on Foreign Commerce, p. xxxiv.

‡ *Commerce and Navigation*, 1891, p. 350.

Argentine Republic,	$2,718,075.00
Bolivia,	6,380.00
Brazil,	14,049,273.00
Chile,	3,133,991.00
Colombia,	3,108,989.00
Ecuador,	902,738.00
Guiana, French,	150,710.00
Guiana, British,	1,761,350.00
Guiana, Dutch,	249,704.00
Peru,	1,396,207.00
Uruguay,	1,032,937.00
Venezuela,	4,716,047.00
Total,	$33,226,401.00

Selecting the largest items from our exports to the six South American countries buying the most of us, we get this table:* —

	Thousands of Dollars.					
Articles.	Arg. R.	Brazil.	Chile.	Col.	Peru.	Venes.
Agricultural machinery,	200	70	184	2	16	4
Printed matter,	19	225	17	86	51	16
Wheat flour,		3,838	55	296	8	1,066
Railroad cars,	492	593	339		5	5
Medicines, patent or proprietary	47	186	52	66	29	79
Cotton cloths, colored,	3	299	9	134	28	345
Cotton cloths, uncolored,	83	232	418	104	78	199
Instruments, including electric,	16	268	17	34	14	49
Saws and tools,	64	184	18	69	36	57
Sewing machines,	24	78	17	120	36	76
Illuminating oil,	353	1,047	162	85	37	128
Lard,	39	1,304	52	85	117	452
Hog products, except lard,		806	3	24	3	97
Boards, deals, and planks,	428	663	248	61	129	56
Furniture,	49	125	46	46	38	66

The countries of South America fall naturally into three industrial groups: the La Plata region, including the Argentine Republic, Uruguay and Paraguay; the tropical region, including Brazil, the Guianas, Venezuela, and Colombia; and the mountainous region, including Chile, Peru, Ecuador, and Bolivia.

The La Plata countries are devoted to agriculture and grazing. They are of great importance to the United States as a

* *Commerce and Navigation*, 1891, Table 8. Unless otherwise stated, all figures for exports are taken from this table, pp. 282-351.

source of hides and the poorer grades of wool. Of the former, they send us one-third of our total import; of the latter, one-seventh. This includes only what they send us direct, and not what they send by way of England.* The imports of the La Plata countries are nearly all from Europe. Great Britain furnishes two-fifths of the whole amount of Argentine imports.† The imports from the United States rank fifth in amount, and are about one-fifteenth of the whole. Our trade is chiefly confined to a few articles, two-fifths of it being in lumber, of which we furnish seven-eighths of all that the country imports. We also furnish the bulk of the petroleum, lard, and agricultural machinery. In 1890 the Argentine Republic imported over a million dollars' worth of railway supplies from the United States; but, as the total import was over thirty-six millions, our proportion was very small. In the same year cottons and coal were entered for over five millions each, tobacco for two and one-half millions, furniture for a million, and beer in bottles for seven hundred thousand. Yet, with the exception of furniture, the share of the United States in this large trade was comparatively small. Of furniture we supplied nearly a third. In other articles, like woollens, leather goods, and miscellaneous manufactures of iron, our trade is insignificant.‡

Passing now to the second group,—the tropical countries,—we find much closer trade relations existing with the United States. Brazil has always been our largest purchaser in South America. The average of purchases per capita from the United States for all South America is 97 cents annually. The purchases of Venezuela for 1891 were $2.08 per capita; of Dutch Guiana, $3.60; of French Guiana, $3; of British Guiana, $6.02. Brazil, Venezuela, British Guiana, and Colombia, in the order named, are our best purchasers of wheat flour. During the fiscal year 1891 we sent 714,271 pounds of hams to Venezuela and 97,119 pounds to Colombia. But few

* *Commerce and Navigation*, 1891, Table 3. Unless otherwise stated, all figures for imports are from this table, pp. 68–143.

† *Consular Reports*, No. 138, p. 404. This report is the chief authority for Argentine trade.

‡ *Ibid.*, pp. 406–420. For Uruguay, see *ibid.*, No. 132; Paraguay, No. 138, pp. 556–584.

were sent to other countries of South America. Instead of hams, British and Dutch Guiana took pickled pork, the former 2,615,948 pounds, the latter, 694,962. Venezuela is the largest purchaser of butter, Colombia and Brazil coming next. British Guiana stands almost alone as a purchaser of imitation butter, buying over a hundred thousand pounds in 1891.

Colombia imported annually a million and a half pounds of soap from the United States, and ranked third among the countries of the world, Great Britain coming first, and Hayti second. Colombia also stands at the head as an importer of spirits, the import of rye whiskey being 4,216 gallons. Still, the import of spirits from the United States is very small in proportion to the whole, our share in the import of whiskey being one twenty-sixth in 1890, according to the Colombian figures. Our export of manufactured tobacco, other than cigars and cigarettes, is also largest to Colombia, and was valued at $49,745 in 1891. This was nearly all that Colombia received. Of the railroad materials imported, the United States supplied about three-fourths in 1890.* One very significant feature of our exports to Colombia, and Venezuela as well, is the large number of small items. There are few blanks in the table, and the "Miscellaneous" and "All Other" columns are large. This indicates that the Colombian merchants not only buy of us the great staples, like lumber, flour, and petroleum, but also depend on jobbers in the United States to supply the numberless small articles which form a necessary part of a dealer's stock.

For Venezuela no figures are at hand which give the imports by countries. In 1890 the exports from the United Kingdom to Venezuela were valued at £828,978.† The exports from the United States for the year ending June 30, 1890, were valued at $3,980,000. This indicates that the United States may obtain as large a share of the Venezuelan trade as Great Britain. The same is true of no other South American country except Dutch and French Guiana.

The imports of British Guiana from the United States consist largely of food products. The colony stands first in South

* *Consular Reports*, No. 135, p. 528.

† *Statistical Abstract for United Kingdom*, 1891, p. 87.

America as a purchaser of corn-meal and preserved beef, pork, and mackerel. Bread and biscuit, wheat flour, butter, beans and peas, and canned fish are also large items. Fresh fruits, especially apples, appear for considerable sums. Ice is another peculiar feature of our exports to British Guiana, amounting to 9,572 tons in 1891. This was over one-fourth of our total export of ice. Another peculiarity is the item of live animals. 1,382 sheep were sent from the United States to British Guiana during the fiscal year 1891. As might be expected from the fact that the country is a British colony, our share in supplying textiles is very small. The same is true of manufactures of iron and steel. But exports of scientific and electrical apparatus are relatively large, amounting to $36,136 in our last report.

French and Dutch Guiana, like their neighbor, import from the United States a large part of their food supply. Wheat flour, dried fish, lard, and pickled pork are the chief items.

The staple products of the second, or tropical, group of countries are coffee, cocoa, and sugar. The total import of coffee into the United States for the year ending June 30, 1891, was 519,528,432 pounds. Brazil furnished 327,403,880 pounds; Colombia, 14,549,168; and Venezuela, 60,217,980. The three countries sent nearly four-fifths of all that we imported. In sending us cocoa, Dutch Guiana takes the lead, and Brazil is a close second. The two countries furnish two-fifths of all that we import. Venezuela and Colombia send us small quantities of cocoa. Brazil furnishes about one-twentieth of our import of sugar, amounting to $5,000,000. British and Dutch Guiana furnish small quantities of sugar. Brazil is the chief source of crude India rubber. Our total import of this commodity for the fiscal year 1891 was valued at $17,856,280: the import from Brazil was valued at $12,304,233. In 1889 the United Kingdom imported India rubber worth £2,617,369: of this Brazil furnished to the amount of £1,755,718.* French Guiana is the one country of South America which gives the United States a balance of trade. Our exports to French Guiana for 1891 were valued at $150,710; our imports from French Guiana, at $46,520. The imports consist almost en-

* *Parliamentary Documents*, 1890, lxxii. p. 322.

tirely of phosphates, and comprise about one-sixth of our total import of that commodity.

The mountainous countries of the Pacific coast sustain much closer trade relations with the United States than the La Plata countries, but not so close as the tropical countries. Unfortunately, there are at hand no intelligible statements of the foreign commerce of any of the States in the mountain group. The foreign commerce tables of England and the United States are almost the only sources of information.

Our exports to Chile have increased rapidly in recent years, probably as a result of the development of the country.* The United States appears to have almost a monopoly of the trade in agricultural implements, lumber, petroleum, and spirits of turpentine, and to do the bulk of the business in provisions, cars, carriages, and manufactures of wood. We have a considerable share in supplying the market with medicines, coarse cotton and fibre textiles, leather and rubber goods, paper, glass, earthenware, tobacco, and certain manufactures of iron and steel. In the fiscal year 1891 Chile was our largest purchaser of cut nails, our export to her being valued at $62,968. But the great bulk of Chilean imports comes from England. In 1889 the imports from the United Kingdom were nearly three million sterling: manufactures of cotton, iron, and steel made up about half of this amount.† Our imports from Chile consist chiefly of a single commodity,—nitrate of soda. Our total import from Chile for the year ending June 30, 1891, was $3,261,734: of this, nitrate of soda made up $2,807,935, nearly all the nitrate that we imported. The total British import of nitrate in 1889 was £1,102,583: of this, Chile furnished £1,066,-047.‡ Besides nitrate, Chile exports a little wheat and about a million dollars' worth of wool. One-fourth of the export of wool comes to the United States.

British exports to Peru in 1891 were £1,125,000.§ Exports from the United States to Peru for the year ending June 30, 1891, were $1,396,207. As Peru is not an agricultural country, breadstuffs take the place of agricultural machinery in her

* *Commerce and Navigation*, 1891, p. xxxvii.

† *Parliamentary Documents*, 1890, lxxii. p. 321.

‡ *Ibid.*, p. 70.

§ *Statistical Abstract for the United Kingdom*, 1891.

tables of imports. Of the former the United States furnishes the chief part, though Chile is a competitor. In our table of exports to Peru for 1891 lard and lumber are the only items of over a hundred thousand dollars each. Colored cottons appear for $29,814, and uncolored for $78,255; but these figures are comparatively small, for England's export of cottons to Peru in 1889 was a million dollars and a half. The largest item in our imports from Peru in 1891 was goat-skins, $218,397.

The exports of the United States to Ecuador for the fiscal year 1891 were about two-thirds of those of the United Kingdom for the same year,* an unusually large proportion. In the number and variety of the articles which she receives from the United States, Ecuador resembles the adjoining northern countries. As is the case with Peru and the countries on the Caribbean Sea, Ecuador relies on the United States almost entirely for breadstuffs and provisions. Considering the poverty and small population of the country, some of the items are surprisingly large: wheat flour appears in our last report for $157,092; and lard, $192,927. Passing to articles of which we furnish only a considerable share, we find Ecuador second among South American States as a purchaser of cordage, wire, and boots and shoes. In manufactures of iron, our share of the trade nearly equals that of England. Our share of the miscellaneous trade is also large. England's chief hold on the trade of Ecuador is in cottons. The British portion of the supply in 1889 was about seven hundred thousand dollars' worth: our portion for the year ending June 30, 1891, was less than one hundred thousand. The chief export of Ecuador is cocoa, amounting to about five million dollars' worth annually. Coffee, ivory, nuts, India rubber, and hides are exported in small quantities.†

Since Bolivia lost her seacoast and the nitrate beds in war with Chile, our commerce with that country has steadily declined,—certainly as it appears in the reports, and probably in fact as well. As Bolivia now has no seaport, all her foreign commerce goes through the ports of other countries; chiefly through Arica in Peru; and most of it is therefore

* £275,262. *Statistical Abstract of the United Kingdom*, 1891.

† *Consular Reports*, No. 122, p. 502.

credited to other countries. In the British accounts it is all so credited. Therefore, no data are at hand to show the nature and extent of Bolivian commerce. It is said, however, by a semi-official authority, that Bolivia uses "a great quantity of American dry goods, drillings, hardware, machinery, and kerosene." *

Two years ago it was confidently expected by many in the United States that South America was to be the great field for the application of reciprocity as provided for by the McKinley tariff act. The result has not fulfilled these expectations. In the case of Brazil our reciprocity plan has worked fairly well. Important changes in the customs duties of that country went into force April 1, 1891, applying only to imports from the United States. Certain articles were admitted free, and certain others under a duty reduced 25 per cent. Our exports to Brazil for the year ending June 30, 1891, showed a marked increase over those of the preceding year. In the sixteen most important articles admitted to Brazil under the reduced duty, the average per cent. of increase was 53. In the fifteen most important articles admitted free the increase was 61 per cent. The increase in the seventeen most important articles not affected by reciprocity was only 27.6 per cent. The Treasury Department has issued a statement † comparing our exports to Brazil during the fifteen months after reciprocity was in force with our exports for the preceding fifteen months. The following table gives the figures for the most important articles: —

How admitted under reciprocity.	Articles.	Fifteen months ending	
		March 31, 1891.	June 30, 1892.
Regular duty,	Printed matter, ‡	$273,898.00	$352,972.00
" "	Petroleum,	1,416,374.00	1,456,931.00
Duty reduced 25 %,	Cotton cloth,	820,387.00	767,746.00
" " "	Bacon and hams,	947,687.00	746,661.00
" " "	Lard,	2,198,653.00	747,706.00
" " "	Boards, planks, etc.,	661,219.00	764,525.00
Free,	Wheat flour,	4,336,907.00	6,082,366.00
"	Railroad cars,	629,124.00	1,068,799.00
"	Steam-engines,	491,643.00	1,520,632.00

* *Bulletin* No. 6, Bureau of American Republics, p. 53.

† *Summary Statement of Imports and Exports*, June, 1892, p. 31.

‡ Books for the arts and sciences are admitted free under reciprocity.

The total export to Brazil for the first period was $16,279,-969; for the second period, $18,044,452. The presumable effect of reciprocity is shown most clearly in the enormous gain of the articles on the free list. Articles subject to the regular duties show little change. The surprising feature is the decline in three of the articles subject to the reduced duties. As a large part of the supply of these has always come from England, it may be that the English merchants cultivated the Brazilian trade so assiduously that they actually got more of it in certain lines than they had before.

On February 1, 1892, President Harrison proclaimed that reciprocity had been secured from the British West Indies and British Guiana.* The free list includes 58 sections; the list subject to a 50 per cent. reduction of the duty includes 8; the list subject to a 25 per cent. reduction includes 8. But a little inspection shows that the concessions granted are of very little importance. With scarcely an exception, the 74 articles or classes of articles are those of which we already furnish nearly the whole supply or else those of which we do not furnish any considerable amount, and cannot do so in the face of English competition. Articles in which we evenly divide the trade with the British merchants are absent, as, for example, such articles as preserved fish, soap, butter, cordage and twine, furniture and manufactures of wood. In addition there is good reason to believe that many of the articles in the long free list are like hides in our own reciprocity scheme, articles which have been on the free list for years.† Therefore, notwithstanding the long schedules, reciprocity with British Guiana means but little.

Colombia and Venezuela, after repeated solicitations from our State Department, failed to make satisfactory reductions in their duties on our exports. On March 16, 1892, President Harrison issued a proclamation imposing the duties prescribed by law on their exports to us. Coffee is the chief article affected. The seventy-five million pounds which formerly came to the United States every year now go to Europe; and instead a corresponding amount of Java, which is a mild

* Pamphlet issued by the Department of State.

† Pamphlet of the State Department on the Commercial Arrangements with Great Britain, p. 13. Also see the *South American Manual*, 1890, pp. 296–299.

coffee like that of Northern South America, comes to the United States.

None of the La Plata States made any move towards granting us reciprocity, though the great export of hides to the United States, valued at $6,000,000 annually, brought them well within reach of our reciprocity law. But President Harrison declined to impose the discriminating duties, alleging the reason that those countries were in financial distress and could not afford to reduce their customs duties.* Probably the real reason was that a duty of 3 cents per pound on the hides from Uruguay and the Argentine Republic would seriously inconvenience our leather manufacturers, and perhaps raise the price of hides in this country.

No reciprocity has been secured from the countries on the Pacific coast, and no discriminating duties have been laid on their exports to us. Peru is the only one of the group upon which our reciprocity law could have any considerable influence, as she sends us $240,000 worth of hides and goat-skins. Had cocoa been included with coffee in the reciprocity section, the threat of discriminating duties might have had some terrors for Ecuador. Chile could be little affected by discriminating duties of any kind, having a monopoly of her chief export, nitrate of soda; and any attempt on our part to discriminate against that would merely add to the cost of the article in the United States.

One great hindrance to our South American trade in the past has been the poor transportation facilities. Mails and freight often had to be carried by way of England, causing loss of time and increase in expense.† The new steamship mail service will do much to remedy this difficulty, and an increase in our trade may be expected on that account. The difference between our trade with the countries on the Caribbean and that with the rest of South America is largely due to difference in facilities for transportation and communication. Another reason for the smallness of our proportion of the South American trade is the ignorance and indifference of our

* For what purports to be a semi-official utterance on this subject, see an editorial article in the Boston *Advertiser* of April 2, 1891.

† *Consular Reports*, No. 136, p. 58; No. 138, pp. 423 and 435; No. 120, p. 2; No. 118, p. 478.

dealers regarding the market there.* Our consuls frequently complain of this as the great obstacle to the sale of American goods. Manufacturers of other countries, especially England and Germany, expend infinite pains in producing goods exactly adapted to the South American market. They send out special agents to study the customs of the people, become familiar with their habits, and learn their peculiar whims and fancies. Our manufacturers appear to give themselves little trouble in this direction, and apparently assume that the goods which suit North Americans should suit South Americans as well.† To take the simple matter of packing,— most of the customs duties in South America are levied on the gross weight of the goods. European dealers take note of this, and pack in light but durable cases: American dealers, on the other hand, pack in the same heavy boxes that are used for the home trade. The result is that American goods are subject to heavier duties than European. After the goods have been landed they frequently have to be loaded on the backs of mules and carried inland. For this purpose European dealers put up their goods in small separate packages, so that, when taken out of the shipping cases, they are ready for the inland trip. American dealers neglect this, and therefore their goods must be repacked at the port of entry before going inland.‡ So of liquors. Certain brands of fermented and brewed beverages from the United States are in good demand in South America. But the bottles in which they are put up are so made that the importer pays duty on a large amount of glass for a small amount of liquor.§ The same account could be given regarding methods of advertising and selling goods, the time and manner of delivery, the custom of the country in the matter of credits, and so on indefinitely.

Now, what is the cause of this difference between American and European dealers? It is the fact that foreign trade is a matter of little importance to our manufactures, but is a matter of supreme importance to those of Europe. The latter are obliged to sell a large proportion of their product in foreign lands, but the former have abundant and ever-increasing fields

* *Consular Reports*, No. 131, pp. 601, 659; No. 120, p. 2; No. 132, p. 123.

† *Ibid.*, No. 136, p. 57. ‡ *Ibid.*, No. 131, p. 601. Also special report on cottons.

§ *Ibid.* Special report on beers.

for their enterprise in our own home market. Consider the subject of cottons, for instance. The Eleventh Census gives the value of a year's output of cotton manufactures in this country as $267,981,724. Of this immense product, nearly the whole amount was consumed at home. The total exports of cotton manufactures to all countries for the year ending June 30, 1891, amounted to only $13,604,581. The export to South America was $2,251,154. We need not wonder that a manufacturer is indifferent to the market at the other end of the continent, when there is a market a hundred times as great at his own door. Even granting that our trade in South America could be doubled or quadrupled by proper effort, the case would not be substantially altered.

The following incident, given by one of our consuls, tells the story of our foreign trade in manufactured goods. During a period of depression in the United States a good market for cottons was established at Buenos Ayres; but, when trade in the United States revived, the factory refused to fill orders in Buenos Ayres, and reserved its product exclusively for the home market. The Argentine dealers then went back to English cottons with a very poor opinion of American jobbers.* This indicates that our merchants and manufacturers use the foreign and especially the South American trade merely as a safety-valve to relieve an overburdened home market.

Until the United States offers rarer opportunities for new or increased business than now, our manufacturers will spend little time in getting up special styles of goods for the markets of Buenos Ayres or Baranquilla. This means that for many years our exports to South America will be limited chiefly to the following: (1) natural products, like petroleum, which are not produced in South America; (2) bulky manufactures, like furniture, for which we have a better supply of raw material than the commercial nations of Europe; (3) certain lines of manufactures, like locomotives, electrical supplies, and agricultural machinery, in which Yankee inventiveness, aided by special circumstances, has enabled us to surpass other countries; and (4) food products for the northern and western regions of South America.

FREDERICK R. CLOW.

* *Consular Reports*, special report on cottons, p. 42.

NOTES AND MEMORANDA.

ROMAN AND ANGLO-SAXON AGRARIAN CONDITIONS.

Attention has recently been called to the importance of the fact that in many of the old English land charters, commencing as early as A.D. 674, two terms, *casati* and *manentes*, are of frequent occurrence, which were also in contemporary use on the continent of Europe to designate prædial serfs.* This suggests at once a similarity of conditions in the two cases, and the possibility, at least, that the origin of serfdom in England was the same as on the continent. It is becoming increasingly clear that over a large part of Western Europe there was no break in the continuity of social development, and that the agrarian conditions of the Middle Ages are to be traced back in the main to those of the later Roman Empire. Still, the question is not yet free from obscurity; and it chances that neither of these particular terms can be distinctly traced back to Roman times.† If, however, a term be found in use after the Barbarian Invasion, which can be traced back unmistakably to Roman times and Roman conditions, the argument for Roman influence in shaping later institutions will be greatly strengthened.

There is such a term in the word *tributarius*, which occurs in the laws of the later empire as an equivalent for the *colonus* from whom the *tributum* was collected, and continues in use throughout Europe till the later Middle Ages.‡ In Roman times, as well as later, it occurs not only in the laws, but inci-

* Professor W. J. Ashley in *Introduction* to English translation of Fustel de Coulanges' *Origin of Property in Land*, p. xv.

† Though the imperial officials were ordered by a law of A.D. 360 to inquire upon newly acquired estates "quot sint *casarii* vel coloni." Fustel de Coulanges, *Recherches*, p. 64; *L'Alleu*, p. 57.

‡ Savigny, *Vermischte Schriften*, vol. ii. pp. 5, 33. See also Du Cange, *s. v.*

dentally in other writings of a very different nature, which indicates that it was widely used and generally understood. After the barbarian invasions it occurs in many parts of the continent,— in France, Germany, and Lombardy, and in many different sorts of documents,— laws, charters, lives, and chronicles. In the fifth and sixth centuries it is unchanged in form. In the seventh century the word itself does not appear, if we may rely on Du Cange: but we find the expression *tributaria casa;* and *tributa* is used in the laws of the Bavarians and Alamanni for the dues in kind payable both by *coloni* and by *servi.** From the eighth century onward it occurs frequently, both in its original form and modified into *tributales.*

But the mere continuous use of the term is not enough: its connection with Roman conditions must be more clearly shown before a conclusive argument can be based upon it. In some cases, at least, this connection seems undeniable. In the *Lex Salica* it occurs as the equivalent of the Roman *colonus.*† In the Germanic laws of the sixth century it is found, according to Fustel de Coulanges, with the same signification as in the Roman laws of the fourth century. ‡ It is, however, still more important to observe that even Waitz himself, the champion of Teutonism among constitutional historians, admits its continuous use with its old meaning in one German district. This was South-eastern Bavaria, where there was not only a large class of *tributarii*, but where their Roman origin is distinctly announced in the documents by the use of the expressions *Romani tributarii* or *Romani tributales.* Waitz sums up his conclusions as follows: "The conditions of the Roman *colonate*, as it had grown up in the conquered provinces, remained intact in the districts taken possession of by the Germans. Here personal freedom was associated with a dependent holding of land; and, as a rule, the *coloni* would seem to have suffered no more than a change of masters." §

This is an important admission; for, if the Roman agrarian

* See the excerpts in Seebohm, *Village Community*, pp. 323, 325; and *cf.* Fustel de Coulanges' *L'Alleu*, p. 161, notes 3, 4.

† Waitz, *Verfassungsgeschichte*, vol. ii. p. 242 and references.

‡ *L'Invasion Germanique*, p. 142.

§ *Verfassungsgeschichte*, vol. ii. pp. 239-242.

system survived in this one district, it may have done so in any other place where the conditions happened to be equally favorable; and, if the term *tributarii* in Bavaria in the eighth and ninth centuries meant a class * of unmistakable Roman derivation, its use elsewhere may also point to a similar origin. Now, it happens that this same term is found in England early in the Anglo-Saxon times; and its connection with the Roman occupation of the island is at once suggested. It occurs as early as 673, and continues in use about one hundred and twenty years. By a charter of 673,† Caeduualla, king of the South Saxons, gives for the foundation of a church at Selsey "fifty-five *tributarii*," and also "the land of thirty-two *tributarii*." ‡ Another charter of 680 transfers to the bishop, Wilfred, land reckoned at an "estimation of seventy *tributarii*" as well as the "land . . . of ten *tributarii*." § Still another charter ‖ of 725 transfers to Eadberht, bishop of Selsey, "twenty *tributarii*." These three cases and several others in the same form ¶ are in the south-east of England, in Sussex and Wessex; but the term is not confined to that district. A document of about 700, written, probably, at York, speaks incidentally of a transfer of the land of ten *tributarii* at Aestanford; ** and a charter of 744 to the monastery at Glastonbury in the extreme south-west, mentions *tributarii* and *coloni* in a way which evidently means the cultivators of the soil.†† It also occurs in the *Dialogus* of Egbert (archbishop of York from 732 to 765) in a very different connection, as the measure of the value of oaths,— a priest being allowed to swear

* Usually, the persons themselves, but sometimes the persons with their holdings, and therefore conversely the holdings with the cultivators upon them.

† This is the date given by Dugdale. Kemble dates it 683.

‡ Dugdale, *Monasticon*, viii. p. 1162, No. I.; Kemble, *Codex Diplomaticus*, No 992; Birch, *Cartularium Saxonicum*, i. p. 99.

§ Birch, i. p. 82; Earle, *Land Charters*, p. 281; Kemble, No. 18.

‖ Earle, p. 22; Kemble, No. 1000; Birch, i. p. 211.

¶ Dugdale, viii. p. 1163 *et seq.* One of these is dated in Dugdale as early as 662, but in Kemble it is dated 765. In this case, the words are "*xii. tributarii terrae.*" Kemble, No. 1008; Dugdale, viii. p. 1164; Birch, i. p. 281, No. IX.

** Stephani Eddii, *Vita S. Wilfridi Episc. Ebor.*, cap. 8, in Gale, *Historiae Britannicae Scriptores*, i. p. 55.

†† Dugdale, i. p. 47; Birch, i. p. 242; Kemble, No. 92.

"according to the number of one hundred and twenty *tributarii*," and a deacon "according to the number of thirty." * We find the term employed, therefore, not only in three very widely separated districts, but also in such a way as to indicate that the class must have been a numerous one; for otherwise the value of the oath of a *tributarius* would not have been a unit of reckoning in judicial procedure. Moreover, we must notice that the period to which these facts belong was too soon after the Saxon Conquest — only two centuries — to allow time for the growth of an entirely new class of dependent cultivators out of the degradation of free Saxon tribesmen.

Another point deserves attention. The *tributarii* were the payers of the *tributum*,† — a term for which the Anglo-Saxon *gafol* would be the natural equivalent.‡ Now, it chances that in the laws of Ine, *c.* A.D. 688, we have mention of the *gafol-gelda*,— the payer of the *gafol;* and apparently the word is used as synonymous with *gebur*.§ In another law of Ine ‖ the *Wealh gafol-gelda* is spoken of, whose position is above that of the *theow*; for, if the former be killed, the slayer is to pay 120*s*., if the latter, only 60*s*. But, while superior to the *theow*, he was inferior to the *ceorl*, whose wergild was 200*s*.¶ The term is used nowhere else in the Anglo-Saxon laws. It is true, mention is often made of *gafol* and of payments of *gafol;* but the composite term, *gafol-gelda*, which would seem a natural equivalent for the single word *tributarius*, occurs nowhere else. If this fact justifies our interpreting the two laws of Ine together, we get a picture of a class of subject Britons remarkably like the Roman *tributarii*,— superior in position to the slave, yet inferior to the free *ceorl*, occupying houses, cultivating the soil, and called

* Thorpe, *Ancient Laws of England*, ii. p. 87.

† Savigny *Vermischte Schriften*, vol. ii. p 33; Fustel de Coulanges, *L'Alleu*, p. 399.

‡ For instances in which *tribute* in other connections is translated *gafol*, see Seebohm, pp. 144, 145.

§ 6, § 3; Schmid, *Gesetze der Angelsachsen*, 22; Thorpe, i. p. 106. It is quite clear from the *Rectitudines* that the *gebur* in the later Saxon period occupied substantially the same position as that of the *villein* subsequently.

‖ 23, § 3; Schmid, p. 30; Thorpe, i. p. 119.

¶ Schmid, *s. v. ceorl*.

"tribute-payers." It is suggestive also that, as this term is not found in the later laws, so also the term *tributarius* early disappears. If we except a spurious charter dated 795, it does not occur later than 791.* This disappearance is exactly what might be expected if the Saxons found in Britain a Roman agricultural system, and, instead of wiping it out, retained and gradually modified it. The cultivators of the soil,— the *tributarii*, or tribute-payers,— would remain, and would still be called by their Latin name or an Anglo-Saxon equivalent. If, however, as Savigny † and, more recently, Seebohm ‡ assert, the *tributum* was originally a tax payed to the Roman government, it would now be no longer paid; and the name *tributarius*, having lost its special significance, would gradually disappear.

One more link helps to connect these *tributarii* of Anglo-Saxon England with the Roman occupation. As there were *tributarii* elsewhere in the Roman world in the later days of the empire as one of the characteristic features of her agrarian system, we might very reasonably assume, without any direct evidence, that there must have been the same class in Britain, too. But we need not make the assumption, for we have direct evidence that such was the case. A decree of the Emperor Constantine in 319, addressed to Pacatianus, Vicar of the Britains, speaks of *tributarii* in connection with *coloni*.§ About half a century later, Ammianus Marcellinus, describing the suppression of a British revolt of the year 368, mentions the cattle of the *miserrimi tributarii*.‖ There were, then, *tributarii* in Britain during the Roman occupation. It is certainly significant that in some of the very earliest documents of the Anglo-Saxon period, less than two centuries after the Saxon Conquest, the same term occurs in such a way as to indicate its common use.

* Du Cange; Kemble, No. 1016. It does, indeed, appear in a charter of 957, — Dugdale, viii. 1166, No. XVIII.; Kemble, No. 464; but this merely repeats the terms of the charter of 673, mentioned above.

† *Vermischte Schriften*, ii. pp. 31–33.

‡ *Village Community*, pp. 293, 294.

§ *Cod. Theod.*, lib. xi. tit 7, 2.

‖ Ammianus Marcellinus, lib. xxvii. c. 8. Attention was first called to this fact by Coote in his *Romans in Britain*, p. 131. Mr. Seebohm has already referred to the significance of the decree of 319; *Village Community*, p. 294.

To sum up briefly, the evidence is this: 1. The term *tributarius* is found on the continent as an equivalent for *colonus* in the later Roman times, and continues in use till long after the barbarian invasion. 2. In one district, at least, direct connection with the Roman system is clearly proved. 3. There were *tributarii* in Britain during the Roman occupation. 4. The same term is used in the earliest documents of the Anglo-Saxon period, within two centuries after the Saxon Conquest of Sussex,* and within seventy years after the final completion of the Saxon Conquest.† 5. Under a new *régime*, in which the term would lose its special significance, it soon disappears, together with an Anglo-Saxon term which may be its possible equivalent.

Is not this evidence sufficiently complete to throw the burden of proof on those who assert that the Roman agrarian system in Britain was completely swept away?

LINCOLN HUTCHINSON.

THE BANK OF VENICE.

In an article on the origin and nature of the Bank of Venice, printed in these pages in April last, the remark was made that the history of the Bancogiro from its establishment in 1619 has never been written; and it was added that, although much material exists, "nobody has thought it worth while to follow the bank carefully through its vicissitudes, and it is not certain that the gain from doing so would be great." The writer of the article regrets that by his failure to observe the monograph *Il Banco Giro di Venezia* of Professor Soresina ‡ he has done injustice to a valuable work and a meritorious writer.

Professor Soresina, in preparation for his work, made a laborious examination of the material existing in the Marcian Library and in the Archives of the Frari, and appears to have thoroughly explored these sources. This investigation enabled him to make a careful review of a period of Venetian banking

* Capture of Anderida, A.D. 491. † Battle of Chester, A.D. 613.

‡ Amadeo Soresina, *Il Banco Giro di Venezia*. Venice, 1889. 8vo, pp. 94.

history which the present writer was obliged to dismiss in two pages, and to present a body of information as to the actual operations of the bank far more important than had ever before been made public. The course of legislation with respect to the bank is followed closely, some statements of account which have survived are presented, and several documents of great interest are given in full. Among these are the offer made by Giovanni Vendramin, in 1619, to supply the mint with a large amount of silver, which led to the establishment of the Banco Giro,* and the text of the act which closed the Banco di Rialto in 1637.

In several particulars the accurate information secured by Soresina corrects or explains statements previously current as to the affairs of the bank, and particularly with respect to its suspensions of payment. The period beginning with 1630, in which the bank was supposed to have suspended payment perhaps more than once, now appears to have witnessed a continuous suspension from 1630 to 1666, when the opening of the cash office put an end to the forced payment by transfer of bank credits. It was to this long suspension, then, that Matthew Lewis referred in his *Large Model of a Bank* in 1678 as the expenditure of all the cash in the bank "in the late Turkish wars." The effort in 1630 to take measures *a saldare ed estinguere il Banco* appears to have contemplated, not the closing of the bank, but provision for extinguishing its debt, which was then overwhelming. Of a suspension of the bank in 1691, mentioned by McLeod and others, Soresina gives no notice; nor was any trace found by Signor Siboni in the documents at the Frari.† On the contrary, the cash office appears to have remained open from 1666 to 1713.

The second long suspension then began, which ended with the second reopening of the office in 1739. The date of this failure, which had been incorrectly given by the present writer as 1717, shows that the occurrences of which Cantillon received information (*Essai sur le Commerce*, pp. 409–412) related to the second, and not to an earlier suspension; and

* See *Quarterly Journal of Economics*, April, 1892, p. 324.

† *Giornale degli Economisti*, September, 1892, p. 292, *note*.

the measures which he mentions, without dates, as taken for the purpose of raising the credit of the bank, are apparently the steps taken for that purpose in 1718, and described by Soresina (page 41).

CHARLES F. DUNBAR.

IN the Appendix our readers will find a translation of the series of acts adopted in August, 1892, by the Austrian Reichsrath for the establishment of the gold standard and for accomplishing some of the preliminaries necessary for ultimate specie resumption. The acts are accompanied by a report made to the Upper House of the Reichsrath by a special commission, giving a clear and comprehensive review of the scope of the legislation and of the financial and monetary questions raised by it. We take these documents from the *Zeitschrift für Volkswirthschaft, Socialpolitik, und Verwaltung.*

The authorship of the report is not distinctly stated; but in an introductory notice of it by Dr. Inama-Sternegg it is said to be the work of one of the editors of the *Zeitschrift*, who are Drs. Böhm-Bawerk, Inama-Sternegg, and E. von Plener. Some expressions used by Inama-Sternegg make it a little unlikely that he is the author; and, as between the two other editors, the probability appears to favor Böhm-Bawerk.

WE are informed by Hon. Carroll D. Wright of the United States Department of Labor that the Department has in preparation, in addition to its eighth annual report, several special reports. The subject of this year's annual report will be Industrial Education. The four special reports will be on (1) Compulsory Insurance of Workmen in Europe, (2) the Gothenburg System of Liquor-selling, (3) the Phosphate Industry of the United States, (4) the Housing of Labor in Europe and America. All but the last mentioned will probably be presented to Congress during the current session. They will be awaited with lively interest by students of social and economic questions.

The first number of the *Journal of Political Economy*, published by the University of Chicago and edited by Professor J. Laurence Laughlin, appeared in December. The leading writers are Professor Laughlin on the "Study of Political Economy in the United States," M. Levasseur on the "Recent Commercial Policy of France," President Andrews on "Rodbertus's Socialism," and Dr. Veblen on the "Price of Wheat since 1867." Notes and a select list of book reviews make up an attractive table of contents.

The result of Professor Laughlin's survey of the recent progress of economic study in this country is a clear recognition of the peace which has been declared between the two bodies of economists who stood opposed to each other a few years ago, and an emphatic statement of the opportunities which our material conditions afford for extended and valuable investigation. It is in view of the great extent of the field thus open to scholars that he concludes "that a distinct place exists for a journal of political economy which, while welcoming the discussion of theory, may be devoted largely to a study of practical problems of economics, finance, and statistics." And hence the *Journal of Political Economy*, which now takes its place in the thickening ranks of scientific periodicals.

The report of the Comptroller of the Currency for 1892 gives some significant figures as to the growing use of legal tender notes and treasury notes in clearing-house transactions in New York City. The proportion of gold in the cash used in clearing-house settlements between banks was:—

In the year ending October 1, 1890, ...	99 per cent.
In the year ending October 1, 1891, ...	64.9 per cent.
In the year ending October 1, 1892, ...	42.5 per cent.

The holdings of gold in the bank reserves have meanwhile shown no sensible diminution. The striking decline in gold settlements is evidently due to the plentifulness of legal tenders and treasury notes of 1890, and to the disposition to part with no gold.

Still more significant is the change in the money used by the United States Sub-treasury at New York in its clearing-house settlements. The Sub-treasury is always a heavy debtor at the clearing-house; and in the last three years it has settled its balances with money as follows (the amounts are given in millions of dollars): —

	Amounts.			Per Cents.		
Year ending Oct. 1,	1890	1891	1892	1890	1891	1892
Gold, ...	249.6	138.7	83.4	97.7	67.7	40.3
Treasury notes of 1890, . .	4.5	41.1	75.3	1.7	20.1	36.4
Legal tenders, ...	1.3	25.0	47.9	.6	12.2	23.3
Total, ...	255.4	204.8	206.6			

The large payments in the two forms of legal tenders during 1892 were made inevitable by the decline in the Treasury's gold receipts. The gold receipts from customs at New York have been small through the greater part of the year; and the transactions of the Sub-treasury, both in receipts and payments, have necessarily been in larger and larger proportions in legal tenders and treasury notes of 1890. Unquestionably, this tendency is caused by the issues under the act of 1890 and a feeling of doubt caused by those issues as to the permanent maintenance of gold payments by the Treasury.

Professor Adolf Wagner announces a new and enlarged form of the series of volumes designed to cover the whole field of economics, which had been originally planned as a joint work by himself and the late Professor Nasse. The death of Professor Nasse in 1890 * prevented the execution of the original plan; and an enterprise of considerably greater size has now taken its place, with an enlarged list of collaborators.

* See vol. iv. p. 316 of this *Journal*.

The newly announced *Lehr- und Handbuch der politischen Oekonomie* is divided into parts as follows, treated by the writers designated: —

I. Foundations of Political Economy, by Professor Wagner, in two volumes: —
  1. Foundations of Economics.
  2. Economics and Law.

II. Theoretical Economics, by Professor H. Dietzel.

III. Practical Economics: —
  1. Transportation and Exchange, by Professor Wagner.
  2. Land, in two volumes, by A. Buchenberger.
  3. Forestry, by K. Bücher.
  4. Industry and Trade, by K. Bücher.

IV. Finance and Taxation, in five parts, by Professor Wagner.

V. History of Economics, including Socialism, by a writer not yet selected.

Virtually, we have here a series of more or less independent treatises. Of these, Professor Wagner's *Grundlegung* is now being issued in its third edition: the first half of the first volume was published in October, and the second half of the volume is promised for an early date. The same writer's *Finanzwissenschaft* is also well advanced, as our readers know; the first two parts, on the principles of finance, having already gone through more than one edition. The first volume of Dr. Buchenberger's part on Land has also been published. The other volumes of the series are promised "in the course of a few years."

THE first number of the *Zeitschrift für Social- und Wirthschaftsgeschichte*, to be published by J. C. B. Mohr, of Freiburg in Baden, is announced for February 1. This review is to be strictly historical, dealing with economic conditions, and not with theoretical questions or the economic and social problems of the present time, and will appear three times a year. It will be edited by Dr. Stephan Bauer, now Secretary of the Chamber of Commerce of Brünn, and known to English and American readers by contributions to the *Economic Journal* and to our own pages, and by Dr. L. M. Hartmann and Dr. E. Szanto, both of the University of Vienna, and Dr. Carl Grünberg, also of Vienna.

The *Verein für Sozialpolitik* has in hand a series of reports on the condition of agricultural laborers in Germany. Three volumes of the series — on Middle and West Germany, on North-west Germany, Würtemberg, Baden, and Alsace Lorraine, and on East Germany — are published, or announced for early publication, and others are expected to follow shortly. They form an important addition to the list of the *Verein's* publications.

In the summer of 1892 the council of the London Institute of Bankers determined to take a census of the holdings in silver of the banks of the United Kingdom. A circular was accordingly sent to every bank and branch, asking for a return of the amount of silver held on July 20 and an estimate of the excess or deficiency as compared with the ordinary average requirements of the establishment. Returns were received from all but ninety-two of the offices addressed, including the banking department of the Bank of England; and the result, published in the *Journal of the Institute of Bankers* for October, is as follows: —

	No. of Offices.	*Silver held.*	*Above average req'ts.*	*Below average req'ts.*
English, ...	2,959	£3,289,797	£928,663	£31,089
Isle of Man, . . .	15	9,355	5,600	
Irish, ...	537	534,566	180,114	
Scotch, ...	986	715,057	108,168	10,396
	4,497	£4,548,775	£1,222,545	£41,485

It is noted that the four and five shilling pieces and the threepenny pieces, inconvenient for opposite reasons, appear to be the unpopular coins.

RECENT PUBLICATIONS UPON ECONOMICS.

[Chiefly published or announced since October, 1892.]

I. GENERAL WORKS, THEORY AND ITS HISTORY.

FEILBOGEN (S.). Smith und Turgot. Ein Beitrag zur Geschichte der Nationaloekonomie. Vienna: Hölder. 8vo. pp. 180. 3.50 m.

FISCHER (K.). Grundzüge einer Socialpädagogik und Socialpolitik. Eisenach: M. Wilckens. 8vo. pp. 437. 5 m.

GUMPLOWICZ (L.). Die sociologische Staatsidee. Gräz: Leuschner & Lubensky. 8vo. pp. 137. 3 m.

KOENIG (F.). Die volkswirthschaftslehre, mit besonderer Berücksichtigung der Sozialpolitik, geschichtlich und wissenschaftlich allgemein fasslich dargestellt. Unter Mitwirkung namhafter Fachgenossen. Leipzig: E. Wiest. 8vo. To be completed in 60 Lieferungen. Per Lief., .25 m.

PASTOR (W.). Vom Kapitalismus zur Einzelarbeit. Berlin: Puttkammer & Mühlbrecht. 8vo. pp. 114. 1.60 m.

PATTON (J. H.). Political Economy for American Youth. Written from an American Standpoint. New York: A. Lovell & Co. 12mo. $1.

PHILIPPOVICH (E. von). Grundriss der politischen Oekonomie. Band I. Allgemeine Volkswirthschaftslehre. [Part of introd. vol. of Marquardsen's Handbuch des öffentlichen Rechts.] Freiburg i. B. and Leipzig: J. C. B. Mohr. Large 8vo. pp. 356. 8 m.

REICHESBERG (N.). Friedrich Albert Lange als Nationalökonom. [In Berner Beiträge zur Geschichte der Nat. Oek., edited by A. Oncken.] Bern: K. J. Wysz. 8vo. pp. 99. 1.60 m.

ROSCHER (W.). Politik: geschichtliche Naturlehre der Monarchie, Aristokratie, und Demokratie. Stuttgart: Cotta. 8vo. pp. 730. 10 m.

VIDAURRE Y ORUETA (C.). Economia Politica. [To be complete in 3 vols.] Tomo I. Tolosa: E. López. 8vo. pp. 535.

WALRAS (L.). The Geometrical Theory of the Determination of Prices. [Public. of Amer. Acad. of Polit. and Soc. Sci.] Philadelphia. 12mo. 25 cts.

WEISS (A. M.). Soziale Frage und soziale Ordnung, oder Institutionen der Gesellschaftslehre. Teil I. Freiburg i. B.: Herder. 8vo. pp. 490 For Teile I. and II., 7 m.

In Periodicals.

CLARK (J. B.). The Ultimate Standard of Value. Yale Rev., Nov.

COSSA (L.). Saggio di Bibliografia delle Opere Economiche Italiane anteriori al 1849 sulla Teoria della Beneficenza. Giorn. degli Econ., Oct.

LAUGHLIN (J. L.). Study of Political Economy in the United States. Journ. of Polit. Econ., Dec.

NEUMANN (F. J.). Zur Lehre von den Lohngesetzen [third article, chiefly on statistics of wages in the present century]. Jahrb. f. Nat. Oek., 4, Heft 3.

PARETO (V.). Les Nouvelles Théories Économiques. [Letters to the editor.] Le Monde Écon., Oct. 8.

RIDDER (de). Von der Theorie des Arbeitslohnes. Jahrb. f. Nat. Oek., 4, Heft 5.
SMART (W.). Effects of Consumption of Wealth on Distribution. Ann. of Am. Acad. of Pol. and Soc. Sci., Nov.
VOIGHT (A.). Produktion und Erwerb. Zeitschr. f. Ges. Staatsw., 49, Heft 1.

II. SOCIAL QUESTIONS, LABOR AND CAPITAL.

BRUNI (T.). La Questione Sociale: Letture. Lanciano: Tip. Carabba. 16mo. pp. 216. 1.25 fr.
CACHEUX (E.). État des Habitations Ouvrières à la Fin du XIX^e Siècle [with compte rendu of documents presented at the Exhibition of 1889]. Paris: Baudry & Cie. 8vo. pp. 184 and pl. 4 fr.
CYON (E. de). Études Sociales, Nihilisme et Anarchie. Paris. Lib. C. Lévy. 18mo. pp. 321. 3.50 fr.
DU MAROUSSÉE (P.). La Question Ouvrière. II. Ébénistes du Faubourg St. Antoine. Préface par M. Funck-Brentano. Paris: Lib. Rousseau. 8vo. pp. 304. 6 fr.
FUHR (K.). Strafrechtspflege und Sozialpolitik. Ein Beitrag zur Reform der Strafgesetzgebung, auf Grundrechtsvergleichender und statistischer Erhebungen. Berlin: O. Liebmann. 8vo. pp. 357. 8 m.
HAHN (J.). Das Krankenversicherungsgesetz von 1883-92, mit Einleitung und Kommentar. Berlin: Siemenroth & Worms. 8vo. pp. 244. 4.50 m.
ROSENBERG (W.). Entwickelung und Stand der Arbeiterfrage. In gemeinfasslicher Darstellung. Prague: F. Haerpfer. 8vo. pp. 82. 1 m.
SCHOLL (E.). Die Socialdemokratie in ihren Wahrheiten und Irrthümern, und die Stellung der protestantlischen Kirche zur socialen Frage. Berlin: E. Stande. 8vo. pp. 383. 3 m.
SCHRIFTEN der Centralstelle für Arbeiterwohlfahrtseinrichtungen. Vorberichte und Verhandlungen der Konferenz, April, 1892, über die Verbesserung der Wohnungen. Berlin: C. Heymann. 8vo. pp. 370, with 208 illustrations. 8 m.
SCHRIFTEN des Vereins für Armenpflege und Wohlthätigkeit. Heft 16. [Contents: Entlassene Sträflinge; Zwangsmassregeln gegen arbeitsfähige Personen; Vormundschaft durch die Armen behörden; Fürsorge für Obdachlose.] Leipzig: Duncker & Humblot. 8vo. pp. 563. 12 m.
UNSIGNED. Wie stelle ich mich zur sozialen Frage? Gedanken und Vorschläge eines Schweizers. Bern: Schmid, Francke. 8vo. pp. 189. 2 m.

In Periodicals.

BLACK (C.). The Coercion of Trade-unions. Contemp. Rev., Oct.
CHAMBERLAIN (J.). The Labor Question. Nineteenth Cent., Oct.
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APPENDIX.

THE GOLD STANDARD IN AUSTRIA.

Report of the Special Commission of the Upper House on the Bills for regulating the Standard of Value and Converting Parts of the Public Debt.

I. Introduction.

Since the date of the Imperial Edict of the 20th of February, 1811, by which the period of disorganization in our monetary affairs came to an end and a beginning was made towards curing its numberless evils, Austria has always regarded the settlement of its monetary affairs as of the utmost importance.

It is true that the events of the year 1848 brought new disturbances into the circulating medium at the moment when its reform had begun. But within a few years thereafter the energetic efforts of the government succeeded in at least opening the way towards improvement by transforming the state notes into bank-notes.

In the year 1866 the government again was compelled to depart from the path upon which it had entered; but within a year and a half thereafter, at the time of the convention with Hungary in 1867, the rehabilitation of the circulating medium was once more taken in hand.

Since then the government has at no time failed to appreciate the anomalies of our monetary situation. Parliament and the executive department, the business world and men of science, have never doubted that the depreciation of our standard was perhaps the greatest evil under which the community suffered. At the time of the first renewal of the Treaty of Commerce with Hungary in 1878, and at the continuation of that treaty in 1887, the establishment of a thoroughly regulated monetary system was put on the programme which the governments of the two states were to carry out in common.

It needs, therefore, no further explanation to show that the definitive regulation of our currency is a political and economic necessity. Until recently the unfavorable condition of our finances has been pointed to as the obstacle to the regulation of the currency, and, in fact, notwithstanding the best of intentions, has presented difficulties

not to be overcome. But at the present time, when we have at last reached the much coveted stage of equilibrium in the budget, it is incumbent upon us to fulfil this long-standing and serious obligation.

In order, however, to undertake the regulation of the currency with any prospect of success, it is necessary, under present monetary conditions, to accomplish a preliminary task, without which a real solution of the whole problem is impossible; namely, to change the standard of value, and so to secure permanency in the value of our money. The change is unavoidably necessary, because of the change in the fortunes of silver during the last two decades, silver having been our legal standard of value since 1857.

The necessity is not a matter of recent date. Since the beginning of the decade 1860–70 it has become more and more clear that in an advanced community silver cannot be permanently retained as the sole standard of value.

This conviction was expressed as early as the year 1867, in the twelfth article of the Treaty of Commerce, then concluded between the two parts of the Austro-Hungarian monarchy. It is true that it was there expressed in a form which was connected with the then existing international relations, and which became in later years untenable. Yet the fundamental idea was just. The same conviction showed itself when the coinage of gold was begun in 1870, even though the coins were not made legal tender; and again in 1876, when both parts of the empire issued loans on a gold basis. With this, however, the signs of a favorable attitude of the government toward the gold standard ceased; for on the renewal of the Austro-Hungarian Treaty of Commerce in 1878 only the resumption of specie payments in general was mentioned.

The two governments put aside the further consideration of the question of standards; and for the time being the silver standard was not further questioned. Meantime, in the years from 1851 to 1875, the annual production of gold was about ten times as great as it had been in the decade preceding; and the proportion of the production of gold in the total production of the precious metals had risen from 3 per cent. to 15 and 18 per cent. The ratio from 1850 to 1870 was constant at 1 : 15½. At that time it would have been possible to carry out the transition to the gold standard almost without expense. But any endeavor to accomplish this was checked by the financial situation and the depreciation of the paper money; and a mere change in the standard at that time would have brought about simply a reckoning in gold, but no circulation of gold.

Nevertheless, it is not unimportant to note that up to the year 1866 silver was at no discount as compared with gold, and even in

1873–74 the premium on gold was only 5 per cent. Then this "golden" opportunity for Austro-Hungary passed away. As early as 1879 the average ratio was 1 : 18.3. Silver had to pay a premium of 20 per cent., and the depreciation of silver went on continuously.

In the first decade of the convention with Hungary the establishment of the gold standard had been planned, even though chiefly in theory; but the march of events was such as to make the proposal, notwithstanding improvement in the financial situation, seem impracticable.

The production of gold in America and Australia, as well as in Russia, had satiated Europe with gold. It could have been procured easily and without a premium. But the production of silver soon began to make up for its comparative standstill in the previous period. It became clear that a depreciation of gold was not to be expected. A permanent influx of silver became certain, though as yet without any prospect of its becoming so great as to lead to the depreciation of silver.

In the year 1865 the Latin Union was founded, giving a basis to the suggestion of a double standard, extending over a wide and important area. In 1867 France, whose political influence was then so great, made strong efforts in favor of the universal establishment of the double standard; and, although these efforts failed, the position of the precious metals in the market remained favorable to the proposition.

In 1873, when the German Empire established its gold standard, and when the Scandinavian Union, notwithstanding many difficulties, was carried out on the basis of the single gold standard, the prospects of bimetallism became less bright. In 1875, when Holland also transferred its allegiance to gold, and when the Latin Union (as early as 1874) restricted the coinage of silver to a minimum, when the ratio became less favorable for silver by 11 per cent., and in the summer of 1876 even went down as far as 1 : 20, the double standard ceased to be seriously considered in Austro-Hungary also.

The later development of the monetary question brought an unbroken chain of events, all indicating the deposition of silver from the position of standard money,— the continual sinking of the ratio, the complete cessation of silver coinage in the Latin Union in 1878, the cessation of silver coinage on private account in Austro-Hungary, the repeal of the obligation previously incumbent on the Austro-Hungarian Bank to redeem silver, the establishment of the gold standard in the Balkan countries, the policy of Holland in regard to silver. Even India could not longer be counted on as an unfailing purchaser of the superfluous silver of Europe. And Japan,

shrewdly perceiving the characteristics of modern European commerce, established in 1870 the gold yen as a necessary part of its new civilization.

The efforts of the silver statesmen of American to counteract this natural course of events, notwithstanding the enormous scale on which they were undertaken, proved on the whole unsuccessful. Gold rules even the trade of America. It has long played a dominant part in the countries of the Latin Union, and even in Austro-Hungary. Gold, even though indirectly, is now the basis of our standard of value.

The situation was appreciated, or, at least, somewhat anticipated, at a comparatively early date by the governments of Austria and Hungary; and the first energetic step towards the reform, already inevitable, was taken in 1879, when the ministers gave directions to the mints at Vienna and Kremnitz to accept no further orders from private persons for the coinage of the legal tender silver coins. Thereafter silver was to be coined only in moderate quantities on account of the governments. At the same time the Bank, so long as this cessation of the free coinage of silver was to continue, was relieved from the obligation to accept silver bars as legal tender.

This measure was of incisive importance. Its original object may have been simply to put a check to the unnatural increase in the circulating medium, but its effect thereafter was entirely different. It was inconsistent with a fundamental quality of standard money,—that of being obtainable in any quantity desired at the public mints; and it limited the influx of silver into the circulating medium in precisely the same manner as that of subsidiary coins, by amounts fixed by the governments from year to year. At the same time this measure maintained the legal tender value of the silver coins at their coinage rate, although their intrinsic value in the market was less than their coinage value. The result was to create, as in the case of subsidiary coins, a volume of currency — to be sure, much restricted in amount — whose value was in part fiduciary. This fiduciary or artificial value, as in the case of subsidiary coins, was derived from the value of the money which, in fact, became the standard, the government note.

The cessation of the coinage of silver accordingly did not have the effect of maintaining the value of silver (no government action could accomplish this), but compelled the ordinary trade of the monarchy to disregard the depreciation of silver and to accept overvalued florins precisely as it accepted overvalued 20-kreuzer and 10-kreuzer pieces. The current silver thereafter differed from the subsidiary coin in only one respect: it was legal tender without

limit, while the subsidiary coin was legal tender only in limited quantities. But this difference served rather to emphasize the anomalous position of the silver coin, since in every well-regulated currency system money of this sort is legal tender only within narrow limits.

It needs no further proof that this state of things was as completely untenable as would have been a currency system exposed to the uncertainties of the fluctuations in the price of silver. No doubt it is true that the cessation of the coinage of silver in 1879 prevented great evils, and we must be grateful for the action of the governments; but at no moment do we know whether even greater evil does not arise in consequence. For our standard now is in completely unstable equilibrium, and every change in the centre of gravity becomes dangerous. That no evil has ensued is due to the quiet of the decade 1880–90, to the careful policy of the governments, and to the increase of confidence in the political and financial condition of the Austro-Hungarian monarchy. But the situation, nevertheless, gives cause for concern; and the population will be relieved of a weight of anxiety when the fate of our money no longer depends on the condition of the money market from day to day.

The regulation of our currency therefore presents two tasks. The first is the change in the metallic standard of value. The second, to be solved only after the first has been successfully accomplished, is the definitive regulation of the circulating medium. Both are equally important to the maintenance of our political and economic interests, and for a definitive legal basis of the monetary system both are imperatively necessary.

II. The Gold Standard.

The proposals of the government look to the accomplishment of only one of the two tasks which have been set forth in the preceding pages,—the reform of our metallic standard. As to the other, the definitive regulation of our currency, a beginning at least is made. But it is unequivocally admitted that the two sets of measures are intimately connected, and look to one single final result, the complete settlement of the currency question.

That the government should undertake first the reform of the standard is almost a matter of course. The metallic money which is now legal tender is not fitted for the resumption of specie payments. Its present legal value is in large part fiduciary; and to reduce its legal value to its intrinsic value would cause incalculable evil, and obviously would, in any case, entail a virtual change in the standard.

In order, therefore, to regulate the monetary situation completely, we must first change the standard. That change indicates at once the order in which the operations are to be undertaken, and their connection with each other.

According to the proposals of the government, the previous Austrian standard is to be superseded by the gold standard. What has been already said in regard to the history of silver and of the double standard makes it clear that under existing conditions this is the only possible basis for a rational reform in the standard. There is the further reason that gold is in law, or at least in fact, the sole standard of value in all countries with which we have direct trade relations. Ninety per cent. of our total foreign trade is with countries having a gold standard. In fact, the business of the civilized world knows no other basis. Gold was dominant, and the standard of value, in all trade on a great scale as early as the fourteenth and fifteenth centuries, even though silver was then the standard in all domestic exchanges; and even at the present time, notwithstanding a strong movement in favor of silver, the business world of America rejects contracts not based on gold. In every age there is some metal dominant in the industry of the world, which forces its way with elemental strength in the face of any public regulation, and in our day gold is that metal.

Gold, therefore, in the bills and statements prepared by the government, is made what it must be on the accepted definition of a standard: it becomes the only universal standard of value, and the only complete legal tender. But this principle is not at once to be applied to its full extent. It is only the goal of the whole process of reform. Certain temporary exceptions to the principle of the gold standard are set forth in Act I., printed herewith, and marked the period of transition. These exceptions are as follows: —

1. The silver coins struck under authority of the Imperial Edict of the 19th of September, 1857, of the denominations of 2, 1, and ¼ florins, Austrian standard, remain in lawful circulation.

2. Silver coins, Austrian standard, are to be further struck from such stores of silver bullion as are already in the possession of the treasury, or may be later purchased for coinage purposes (Article VIII.). But the government explains that this coinage shall only take place at its discretion.

These exceptions are based by the government partly on financial grounds and partly on the necessity of meeting the continuous demand of the community for a circulating medium, and especially for metallic currency. The financial grounds are obviously the avoidance of loss of interest and coinage profit. So far as the circulating

medium is concerned, it is to be remembered that silver coins under the new standard cannot be brought into circulation in sufficient quantity to prevent during the period of transition some scarcity of coin. Moreover, we have outstanding certain obligations which must be met with silver now current.

These precautionary measures of the government must meet with approval: they are such as have always been adopted under similar circumstances, and give the community time to accommodate itself to the new system without disturbance.

The further coinage of silver coins of the existing standard is regarded as a possibility only: it is authorized in view of a conceivable temporary demand of an unusual sort. The necessary regular addition to the circulating medium is to be secured by successive issues of silver coins of the new standard. Both for the benefit of trade and for the prestige of the new measure the issue of silver coins of the new standard is not to be delayed, and the period during which silver of both sorts shall be in circulation side by side will be as short as possible. Consequently, any new issues of silver of the old standard will be made only under unavoidable stress. The amount of such silver which we have to deal with, according to the explanations which the Minister of Finance gave to the standard commission, is about 32 million florins. The total amount of silver coins which are to be issued under the new standard is 200 million crowns, equal to 100 million florins.

His Excellency the Minister of Finance, in the statements to the Committee of the Lower House on the 22d of June of last year, declared that the silver bullion on hand was to be counted as part of the amount of 200 million silver crowns provided for by Article IX. of the Act II. There is, accordingly, no ground for uneasiness in this direction.

Further security is given by the language of the report concerning the new standard presented to the Hungarian Lower House, according to which the coinage of legal tender silver of the old standard is to cease completely and definitively; and, moreover, by a statement made by the Minister of Finance in the course of the session already referred to, to the effect that the silver florins would, in the main, remain in the vaults of the Austro-Hungarian Bank, these silver florins being more likely to be over-weight than the silver crowns, and therefore more likely, in case of their entering into circulation, to be exported.

From these remarks of the Finance Minister it may be inferred that the silver florins will play no important part in every-day currency, and, at all events, will not be put into circulation by the

government. Consequently, the anomaly of keeping the old standard in use, side by side with the new standard, becomes in practice of so little effect that the authority given in Article X. to proceed in case of need to the coinage of silver florins of the old standard, even after the introduction of the gold standard, presents no dangers.

For the rest, Article X. of Act I. deprives silver of the old standard of its position as an independent standard of value, and makes it part of the newly established gold standard, since the legal tender value of that silver is stated in terms of a fixed relation to the new standard of gold.

It cannot, therefore, be alleged that during the period of transition two standards are permitted to exist side by side. The situation is that the old standard, which had in any case ceased to be a standard of value after 1879, retains for the present its position as the basis of legal tender in domestic transactions. But even this position rests on the new gold standard.

A still further exception from the principle of the gold standard, also marks the present legislation as transitional. Articles XXIII. and XXIV. of Act I. provide that the paper money shall remain legal tender, whether for payments in terms of the old standard or of the new crown standard. But this paper money is also incorporated into the new system, since these same articles fix its legal tender quality in stated proportions to the new standard of gold.

In regard to this part of the currency also, therefore, it cannot be said that two standards will exist side by side. Gold alone will be the standard of value: gold alone will circulate without limit. The complete legal tender quality of the old silver, as of the paper, is limited by the fixed quantity in circulation.

Nevertheless, it must be confessed that this retention of the existing forms of currency, and the consequent concurrent circulation of gold, silver, and paper money, all having the same legal tender quality, are harmful to industry and dangerous for the complete success of the reform. Doubtless no other course of action was possible; but every consideration makes it desirable that the replacement of silver coins of the old standard, and the complete redemption of the paper money in gold of the new standard, shall be delayed as little as possible, and the reform so brought at last to the promised end.

No other exception to the principle of the gold standard is contemplated. More especially there is in the proposals of the government no question of the creation of any legal tender silver money in the new system. On the contrary, Act I. provides in Article XI. that the silver crowns of the crown standard shall be legal tender only up

to the amount of 50 crowns; in Article XII. that they shall have a smaller proportion of pure metal than the gold crowns; and in Article XIV. that they shall be coined only on public account, in the limited amount of 140 millions of crowns for this part of the empire, — provisions which leave no doubt that the silver of the new standard is to be purely a subsidiary coin. On the other hand, the new silver coins are given a somewhat privileged place among subsidiary coins, since Article XIX. provides that the silver crowns shall be received in unlimited amounts for all public dues, and Article XII. requires their normal weight and content to be maintained at the mint, and accordingly fixes a limit of tolerance for them, though a wider limit than that fixed for the gold coins. This privileged position of the silver money of the new system by no means makes it a form of fiduciary money: it is simply a safeguard of the sort found necessary everywhere for the security of retail trade. These coins will be used almost exclusively in smaller transactions; and, for the safe conduct of these, it may be fairly claimed that both the intrinsic value and the purchasing power of the silver coins shall not be restricted further than is indispensable in a sound system of coinage.

While the position of silver in the new standard is thus accurately defined, the government has repeatedly declared in the course of the parliamentary proceedings that it maintains complete freedom in regard to the definitive settlement of the silver question, which will become necessary when the silver florins are called in. The nature of this settlement thus depends on future developments in the markets of the precious metals, as to which it is impossible, at least in regard to silver, to make any prediction. It appeared therefore to be inexpedient and uncalled for to take any unbending attitude on this subject at the present time; and there is no occasion for limiting by any provisional vote the freedom which the government rightly claims in this matter, which in any case cannot be settled without the consent of Parliament.

III. The Relation of the Crown Standard to the Present Austrian Standard.

The establishment of the principle of the gold standard makes it necessary to determine the relation of that standard to the present standard. It would be impossible to abstain from any settlement of that relation, when every preparation is being made for the change to the gold standard, for the resumption of specie payments, and for securing not only a supply of gold, but the coinage of gold. Some lawful ratio is indispensable for the stability of our previous standard,

for the certain transition from that to the new standard, for the legal establishment and introduction of the gold standard, and for securing not only the gold standard in principle and theory, but also a substantial gain for the State and the people.

The traditional notions of the ratio between the two precious metals are of no service for establishing a ratio between the gold standard and the Austrian standard. In other states a change in the standard involves the cardinal question whether the old ratio of $15\frac{1}{2}:1$ shall be retained or modified, the question being one of the ratio between two specie standards. But in Austro-Hungary there is no specie standard which can be compared with the gold standard. For some time silver has been deprived of attributes important to a standard. In our monetary situation it offers no basis for comparison, since the present value of our silver is a derived one, like that of the subsidiary coins. Since 1879 the metallic basis of our circulation has been imaginary. A completely independent value of paper money has developed, and upon that has rested the value of the silver. We have a paper standard only with which to compare the gold standard, so far as any ratio is concerned.

To the value of this paper standard, which is a credit standard in every sense of the word, some legal relation must be established in the gold standard.

The problem would seem to be simple enough. The relation of the paper to gold is settled from day to day in the market, and all transactions involving such a ratio are settled according to the daily quotations. Nothing would seem to be necessary but to recognize this actual ratio, in order to appear before the community without responsibility, and with the certainty of securing that degree of justice which every-day experience had worked out. But, on the other hand, more careful consideration made it clear that even this process would interfere somewhat with the natural development of events, and that some effect on the free development of the market ratio was unavoidable. The proposed ratio would form the basis of all calculations for securing a supply of gold, for regulating the coinage, for financial and economic proposals of every sort. Consequently, the market ratio had to be regarded as soon as bills began to be prepared. These bills at once affected the premium on gold; and the government had to face the responsibility, perhaps odium, of selecting some particular date as definitive.

It is natural enough that the proposition to use the ratio of the day should meet with favor in business circles, where custom calls for prompt settlement at the market price. But there is an obvious difference between the ratio which has its effect for the moment only

and that which is to be applied permanently. Whatever ratio is to be established by law has decisive effect upon all transactions which are pending and cannot be settled until after the ratio is fixed, although the contracts may have been concluded at an earlier period. It is therefore natural that those classes in the community which have to consider transactions extending over some time in the past should demand a ratio not determined by the accident of the moment, but based on the average value of our former standard and the average quotations of paper. This demand was made the more effective because, as soon as the question began to be publicly discussed, quotations for our paper money became distinctly higher than at any time since the date of the suspension of the free coinage of silver.

On the other hand, opposition to the use of the quotation of the day developed among exporters, and on very different grounds. It is true that here the transactions extended over only a short period of time. But, on the other hand, the steady decline in the premium on gold was a source of inconvenience to exporters, to whom its previous rise had brought no inconsiderable profit. The feeling in these quarters simply indicated a desire for a return to the situation as it had been in times past, at least up to the very moment when the new legislation was to put a definitive end to the fluctuation of our paper. The principle of justice was appealed to in the one case: private interest (even though an interest of a distinctly economic sort) was appealed to in the other case. Certainly, it could not be contended that any principle of justice called upon us to depreciate our standard as much as possible.

On this difficult question the government found the most convenient course to be that of using an average quotation. Even in choosing this, the question might arise as to how great a number of years should be covered in ascertaining the average; and, obviously, the result would be different according to the use of an arithmetical mean or some other mean. But this method, at all events, kept any subjective feeling of the government within strict limits, and enabled it to deny the charge of any intentional influence of its own on the development of the market ratio.

On grounds of simple justice no particular ratio can be settled on, and no definite line drawn for the action of the government or for legislation. Under the paper standard the only ratio which is positively right is that established by the quotations from day to day. To perpetuate by law the quotation of the moment would violate past contracts: to accept an average ratio would violate not only present contracts and those of the visible future, but also an indefinite number of obligations of older date. The number of contracts actually

concluded on the terms of the ascertained average quotation must be insignificant in comparison with the number concluded under higher or lower quotations.

The legal settlement of the ratio must therefore rest on the actual development of the value of our paper with due regard to all economic effects. The economic justification of the figure selected must be that it effects no change in the relative values of claims and of satisfactions and in the prices of individual commodities.

The accuracy of the particular figure selected can be tested only in the future; but a provisional conclusion as to its accuracy may be drawn from a careful consideration of all the elements which are to be affected by the ratio chosen, and which may affect the future movement of prices.

The real nature of the ratio must be carefully borne in mind. It expresses the value of our paper in terms of the existing gold standard. The premium in paper, which must be paid in order to obtain gold of the same nominal value, indicates the depreciation of paper as compared with this gold standard. The gold premium accordingly measures how far we are from the present gold standard. Since international obligations are always measured in terms of gold, it is easy to see that our paper money must be measured by the same standard.

Consequently, the value of our paper money cannot be measured in terms of silver. We have to deal, not with an overvalued currency, but with an undervalued currency. We may dismiss the anxiety expressed in some quarters as to an unnatural appreciation of our money. Comparisons of this sort are anachronisms, assuming, as they do, that the silver standard still exists, when in fact it does not.

Consequently, we cannot establish the value of our paper money on the basis of the traditional ratio between gold and silver. The countries of the Latin Union still maintain an artificial ratio of 15½ : 1. Many states, in passing from the silver to the gold standard, have adopted that ratio or a similar one; and our own legislation also has in several ways recognized this ratio. But we are in no way tied to it, not because we have never failed to use it, but because our present conditions furnish no ground whatever for exacting a ratio which was accepted in former days under very different conditions, and which is now admitted on all hands to be a thing of the past. In so far as we have made promises abroad based on this relation, we must fulfil them; but, in other respects, the value of our paper money, even for foreign countries, is settled with unquestionable accuracy by the quotations of the world's markets.

By the bills now submitted, the change to the gold standard is to

be carried out on the basis of 100 of gold to 119 of paper, that being the average of the quotations of the last thirteen years. Present quotations have already accommodated themselves to this ratio, and its provisional settlement has already given a permanency of value to our currency never before noted. So much the more we may expect that, when it has been finally accepted, this permanency, unless in case of very extraordinary disturbances, will be retained for the future. At the same time those forces which formerly affected the daily quotations, and so made the price from day to day uncertain and fluctuating, have been deprived of their influence on the normal ratio. Some slight temporary gains and losses may have arisen from the difference between the ratio chosen and that which prevailed immediately before; but it may be expected that hereafter quotations will remain stable, and that no further disturbance will arise from the final settlement of the ratio. Consequently, the fears sometimes expressed as to the gain or loss for special classes may be dismissed as probably unfounded. On the contrary, the stability already attained is an immediate gain, not easily overrated, for the industry of the community.

It may be hoped also — and present appearances give ground for entertaining the hope — that the choice of the ratio will make more easy the influx of gold into every-day circulation. This consideration supplies a further argument in favor of the choice, and strengthens the hope that the further difficulties of the reform will be overcome.

For the rest, endeavor will be made so to grade the denominations of the new coins as to adjust them to the customary prices of commodities in every-day use, and thus to prevent the change from being the occasion of an unjustifiable advance in retail prices.

All these considerations lead to the final conclusion that the ratio which the government has chosen and has made the basis of the proposed system of coinage is, on the whole, the best and most appropriate for the interests and the actual conditions of the community. It is true that, even if these bills become law, the ratio will bring no definitive determination of the value of our paper as compared with gold, since the paper standard continues to play an important part in our monetary system, and since unforeseen events may make it impossible to maintain, in fact, the value defined by law. Indeed, it has been objected to the mode of settling the value of paper on which this legislation will proceed that, while it makes impossible any further rise in the value of our present currency, it gives no security against its future depreciation. But a depreciation is possible only under two conditions,— either a general increase in the difficulty of securing gold or a deterioration of our credit. So far as the latter

is concerned, careful administration of our finances and a steadfast policy of peace will make our position secure. So far as the former goes, the situation is not within our sole control. It is imperative, therefore, that we should keep firmly in mind the definitive settlement of our monetary system, since such a settlement alone will put an end to this danger.

IV. The Standard Coin.

Having settled the ratio for paper, legal expression must be given to the principle that the value of our Austrian standard is to be to the gold standard as 100 : 119. This does not necessarily involve the adoption of any particular coin, although it indicates the direction in which the new coinage will be developed. It would be perfectly possible to adopt this new ratio and at the same time to accept the standard coin of the German Empire or of the Latin Union, since then it would only be necessary to translate prices in terms of our Austrian system into prices in terms of the new coin, in the ratio of 100 : 119.

In former days, when there was more or less of enthusiasm on the subject of international coinage, the inconvenience of reckoning prices in new terms would have been born for the sake of attaining the much desired object. But the experience of the last twenty years has sobered expectations as to universal coinage. All hope of an International Monetary Union, on which the complete establishment of the international coin must depend, has disappeared.

Under such circumstances, little thought has been given to the possible adoption by Austro-Hungary of some existing system of coinage; and the needs of our own domestic intercourse have been of decisive influence. So far from endeavoring to create a coin which could be used in international transactions in every direction without intricate figuring, the object has rather been to devise a coin which shall make it feasible in our domestic trade to change from the present standard to the gold standard without converting prices from old terms into new.

If this object could be attained, it might be hoped that the transition could be carried out without any disturbance and without that tendency to a rise in retail prices which appears so readily when the standard of value is changed. It might be expected also that the new standard could then be introduced quickly without exciting distrust. No fear need be entertained of benefitting some classes at the expense of others. The change of our monetary system to a metallic basis conformable to the demands of modern times, could be secured without shock, without disturbance of trade.

These decisive reasons are enforced by others. It was, above all, to be desired that the existing value of our currency should find an expression in gold of the new standard, and that this should be made possible without need of intricate figuring, by getting an easy expression of the equivalent value of the important coins of the old and new systems.

Complete consistency would have required the choice of a gold florin as the new unit of coinage, that gold florin being declared equal to the florin of the existing Austrian standard. But there were important practical objections to this. Confusion might have arisen between the new coins and the gold florins which have existed since 1870, even though these have never been standard coins. It was felt desirable, too, as in other advanced European countries, to adopt a smaller unit. Accordingly, half of what would have been a gold florin in the new standard was selected as the unit of the new system. The transition from the old to the new scale of prices was thus made the simplest possible. The new unit was called the crown. On the coin itself the name is abbreviated in the Latin form "cor." in consonance with established traditions in the manufacture of coins. As this modification of the principle is of no intrinsic importance, and as it has already been accepted by those legislative bodies of both parts of the empire which have acted upon it, it may be recommended to the Herrenhaus for adoption without amendment.

One evil in this ordering of our coinage system must be admitted. The chief gold coin of the new system has an entirely irrational and arbitrary weight, both of standard metal and of fine metal. Consequently, the individual gold pieces can be weighed only with weights especially prepared for the purpose. But, although this is a difficulty in an ideal system of coinage, it will never be felt in ordinary trade, and, besides, is one met in a greater or less degree in every country having a gold standard.

Last of all, in selecting the new coin, regard was to be had as far as practicable to the needs of international trade. New coins should be convertible with reasonable ease into the coins of those countries with which our trade is most important; that is, the German Empire and Great Britain on the one hand, and the countries of the Later Union on the other. This object has been approximately attained, the relation in round numbers being 1 crown = 85 pfennige = 10 pence = 1.05 francs.

The further development of the system of gold coins, their division into twenty-crown and ten-crown pieces, their form, tolerance, passing weight, and seignorage, are partly based on the approved practice of other countries having a gold standard and partly on the needs of our

own community. There are obvious reasons for putting an end to the coinage of gold florins (under the act of March 9, 1870), and for continuing that of ducats, which is clearly for our commercial advantage.

So far as the rest of the coinage system is concerned, the present measures contemplate no mixed standard, but only subsidiary coins based on the gold standard. A considerable use of silver must obviously be made as subsidiary coin, since we have on hand under existing conditions considerable amounts of silver, and since the value of silver bullion in the market makes it possible to use it in that method only. This course may be justified by the similar course pursued in other countries using the gold standard.

The silver crown will be the most important coin for retail trade. It is therefore given a comparatively high proportion of fine metal ($\frac{835}{1000}$). There would be no justification for giving it the same fineness as the current legal tender silver of the old system or the gold coins of the new standard. The provisions for the accurate maintenance of the weight of standard metal and of fine metal in these pieces are based on the important place which the silver crown will take in retail trade.

The quantity of silver crowns to be struck (Article XIV.) is only provisionally fixed. So long as silver florins of the old standard and paper money are in circulation, the coinage of silver crowns will in all probability not reach this maximum. If, as is probable, it should appear that, after these older forms of currency have been finally disposed of, a further supply of silver coins under the gold standard will be necessary, the need can be met by increasing the quantity without in any manner affecting the coinage system or the standard.

For smaller subsidiary coins it is proposed to use, in place of pure copper, two metals, pure nickel and bronze. This change is fully justified by the technical and financial reasons presented in its favor. The same may be said of the exterior of these coins, their subdivisions, and the varying legal tender quality given to the coins of different metals.

The amounts of these two sorts of subsidiary coins provided for correspond roughly to the amount of subsidiary coins of silver and copper hitherto issued; at least, if it may be assumed that part of the existing twenty-kreuzer pieces (about 7 millions in a total of 20 millions) will be replaced by the new crown pieces.

The continuation of the coinage of the so-called Levant Dollars is called for by important commercial interests. Their steady circulation in the East is a gratifying and valuable evidence of the high repute which our monarchy has retained even in distant regions, since the reign of the Empress Maria Theresa of glorious memory.

The coinage system so elaborated, and the reckoning in terms of crowns which it implies, are not to be of obligatory application immediately upon the passage of the act. A series of legislative and administrative measures must be further provided for systematic transition to the new standard. The application of the new system at the mint, the mode in which the new standard shall be dealt with at law, the disposition of those silver coins of the old standard which for the present are to remain in circulation, the manner of redemption of the state notes, the disposition of the paper currency, and finally, the mode in which specie payments are to be renewed,— all these must be provided for. The whole task will not have been disposed of until all these measures have been passed. Meanwhile coins of the new system are to be struck immediately upon passage of this act, and will be legal tender at the rates prescribed in the act in all payments to be made in Austrian currency, whether specified to be in coin or not.

V. The Coinage Treaty with Hungary.

The treaty of coinage and standards with Hungary, which the ministry of the countries represented in the Reichsrath is to contract with the ministry of the countries of the Hungarian crown, is to endure for eighteen years,— that is, until the close of 1910,— and, if not denounced one year before that date by one of the parties, is to endure for ten years more.

The alliance is thus made for a sufficiently long period to make it possible to bring to a final close the reform of our standards, and the other monetary reforms which are necessarily connected with it. Our monetary relations are at the same time separated from the tariff and commercial treaties, which endure for but ten years. Provision is thus made for the undisturbed maintenance of a most important basis for the economic unity of the monarchy.

The details of the treaty bear partly upon complete maintenance of uniformity in coins and standards on the new basis, partly on complete agreement in all steps taken by both countries in the development of the coinage system, partly on the attainment of perfectly simultaneous and harmonious action in all further measures called for by the definitive reform of the monetary system in both parts of the monarchy.

So far as the rights and obligations of the two countries must be stated in fixed proportions, the ratio is in all cases that of 70 per cent. for the countries represented in the Reichsrath to 30 per cent. for the countries of the Hungarian crown. This division does not

follow the principle of apportionment which had been accepted in the past for those expenses common to the two parts of the monarchy. But at the present time, when it was necessary to fix on some figure in proceeding to the reform of the standard, and when we possessed one not questioned on either side and accepted in various specific apportionments of pecuniary matters, it must be admitted that the occasion was not propitious for proceeding to a revision of the older treaty stipulations.

VI. Other Corrections in the Standard.

Under Article IX. of Act I. the gold coins of eight and four florins, introduced by the act of 9th of March, 1870, are no longer to be struck. Since there exist both public and private debts payable in these coins, it became necessary to prevent their discontinuance from causing difficulties. The civil code admits only one legal view of such cases, but this a perfectly satisfactory one. In Section 989 it provides that where payments are to be made in specific coins, and such coins are no longer in circulation when the debt becomes due, the creditor is to receive similar coins in such number and amount that he shall receive back the intrinsic value of the loan.

Such similar coins are obviously the gold coins of the crown standard provided for in Act I., since gold coins of any foreign country cannot be assumed to be in circulation with us. 42 gold florins may be regarded as equal to 100 crowns, this corresponding to the quantity of fine metal prescribed in the act of 1870 and the present act on the crown standard (Article III.).

In Act IV. an amendment is proposed to Article 87 of the Statutes of the Austro-Hungarian Bank, which is closely connected with the proposed reform of the standard. It is essential to standard money that every one shall be able at any time to secure it in amounts not limited by law; and it is an essential part of the functions of a bank of issue, as the great regulator of circulation, that standard money and the metal of which it is made shall at all times flow freely to the Bank, and from this reservoir find its way into general circulation. This duty the Bank is made to perform when it is required to redeem in its notes the coined and uncoined metal at all times at the rates established by law. This obligation is imposed on the Bank by Section 87 of its Statutes, in regard to the silver coins of the Austrian standard. Since 1879 it has been suspended in regard to silver bullion. The free coinage of gold being introduced by the present legislation, it is important that the Bank shall at once assume this its regulating function in regard to the circulation of

gold. Consequently, the legislation here proposed must be at once incorporated into the Statutes of the Bank. Other reforms in our banking legislation will be rendered necessary by the later successive measures affecting our monetary system. They can be undertaken only at future dates.

Although the Bank undertakes at once to redeem gold coin and bars, it was obviously not possible to relieve it from the obligation to redeem current silver coins, since these, though no longer standard money, remain full legal tender. On the other hand, although the Bank retains for the present its power to use silver bars as a means of increasing its specie reserve, it is the part of sound policy to make no use of this power. At the extraordinary general meeting of the Bank held on the 23d of May last year it was voted to follow this sound policy, and to bind the Bank in its relations to the governments of both countries to follow it. The vote indicates that the Bank appreciates the existing situation, and loyally offers its co-operation in the change of our monetary system.

This attitude of the Bank promotes a confident hope that the Bank will develop to the utmost all devices for economizing the use of money in its transactions,— devices which, it is true, can exercise their full effect only after resumption of specie payments. We may expect, also, that it will continue its services in caring for the accounts of the state.

VII. Preparations for Funding and Redeeming the State Paper Money.

Strictly speaking, all the measures now under consideration are simply preparatory to funding and redeeming the state paper money. Except with this end in view, the change in the standard and the expense which it involves would in the main lose their justification. This aim is specially sought in Act V., which gives authority for a gold loan to the amount of 183,456,000 gold florins.

By means of this loan it is expected to make it possible to proceed at once to strike gold coins of the new crown standard on account of the state, on a larger scale than would be possible by simply using the gold now held in the public treasury.

The amount of the loan indicates with sufficient distinctness that its object is only to secure the means for funding and redeeming the state notes. Of the 312 millions of florins of state notes which are now in circulation and represent a debt for the empire as a whole, the kingdoms and countries represented in the Reichsrath are liable in the ratio of 70 : 30; that is, for 218,400,000 florins, or 436,800,000 crowns. This sum, making allowance for the relative content in fine

gold of the gold florins and the new crowns, is exactly the amount of the new loan. The *Motive* accompanying Act V. and the explicit statements of His Excellency the Minister of Finance permit no doubt that the proceeds of the loan will be used for no other purpose than funding and redeeming the notes. The safeguards provided in the act, by which the Legislature and its Debt Commission are given the widest powers as regards the disposition and control of these sums, are justified by the great importance which this supply of gold must have for the successful solution of the currency problem. They cannot fail, moreover, in having an auspicious effect in strengthening the complete confidence of the community in the earnest and unfaltering policy of the government.

The form of obligation authorized is that of the bonds created by the act of March 18, 1876. This security is already popular in the international money market, and the introduction of a new form of security would cause at the outset some difficulties.

The last act (VI.) stands in no immediate connection with the reform of the standard and with the preparations for the resumption of specie payments. It provides for the conversion of the five per cent. tax-free currency bonds and of two classes of railway bonds. But the saving in interest to be effected is an important part of the financial aspects of the new system, and may be justified from this point of view as well as from the present quotations of our public debt.

VIII. The Resumption of Specie Payments as Final Aim of the Reform.

The six bills contain, it is true, no direct provision in regard to the resumption of specie payments. In the course of the debates it has often been pointed out that the solution of this problem must be left for the future since for the time being it is impossible to survey with accuracy the conditions and probabilities of resumption.

Nevertheless, there can be no doubt that the reform here begun has this ultimate aim in view, not only in general, but very specifically. It is therefore necessary in closing to consider whether the measures here proposed accomplish everything which can now be accomplished by way of preparing for the attainment of this last and most important end in the monetary reform for Austro-Hungary.

Some important conditions precedent to the resumption of specie payments are already secured in the present measures: the introduction of the gold standard, the establishment of stability in our currency, the careful avoidance of all things which might lead to a

greater scarcity of money, the obligation put on the Bank for redeeming gold, and the gold loan for funding and eventually paying state notes,—these are clear and effective steps in this direction. There can be no reasonable doubt that each of these measures will attain the object immediately had in view. The ground is prepared for making use of our present favorable industrial situation for its appropriate effect in the improvement of our monetary condition. More especially, in the reforms now undertaken, we secure conditions distinctly more favorable for the development of a ready inflow of gold, made feasible by general economic causes. Notwithstanding the favorable balance of trade, our depreciated paper has hitherto prevented that inflow. In future our international credits will lead to the direct inflow of gold. Moreover, the treaties of commerce concluded in the course of the current year with the states of Central Europe insure the maintenance of our exports, so far as this can in any way be secured by commercial policy. The chronic scarcity of money, which resulted from our paper standard and the high rate of interest to which it led, lead us to expect a stimulus to such an influx of gold. In the end we may expect so much the more certainly a moderation in the rate of interest, which will encourage industry in every direction.

The steady growth of capital in our national economy will now find a secure foundation and a steadily growing circulation, especially if that growth takes the direction of a harmonious development of domestic industry rather than the increase of production in some directions only. Greater emancipation from foreign capital, increasing stimulus to domestic industry, enlarged consumption by the entire population, are the objects to be attained. Such a development will provide also the best means of retaining the domestic supply of gold and securing a permanent ordering of our monetary system.

It is true that it is not within the power of legislation or of government to compel by force the maintenance of any general economic conditions. But a firm policy will contribute much, and such a policy must be followed in the later steps in the complete reform of our currency. We must have wisdom and caution, perseverance and warm devotion to duty. Every class in the population will co-operate with patriotic devotion, conscious that our monarchy must be seriously affected for good or ill by the solution of this most difficult and far-reaching problem.

ACT I.

Act of August 2, 1892, for the Introduction of the Crown Standard.

With the consent of both houses of the Reichsrath, I enact: —

Article I.

The previous Austrian standard shall be replaced by the crown standard, in which the crown shall be the unit of value.

The crown shall be divided into 100 heller.

Article II.

The standard measure of weight at the mint shall be the kilogram with its decimal divisions, as set forth in the act of July 23, 1871, establishing the kilogram as the unit of weight.

Article III.

The gold coins of the realm shall contain a mixture of 900 parts of gold and 100 parts of copper. A kilogram of standard gold shall be coined into 2,952 crowns; a kilogram of fine gold, therefore, into 3,280 crowns.

Article IV.

There shall be struck the following gold coins: (*a*) twenty-crown pieces; (*b*) ten-crown pieces. A kilogram of standard gold shall be coined into 147.6 pieces of twenty crowns, or 295.2 pieces of ten crowns; a kilogram of fine gold, therefore, into 164 pieces of twenty crowns and 328 pieces of ten crowns. The twenty-crown piece accordingly shall have a gross weight of 6.775067 grams, and a weight in fine gold of 6.09756 grams: the ten-crown piece shall have a gross weight of 3.3875338 grams, and a weight in fine gold of 3.04878 grams.

[Article V. prescribes the devices which shall be put on the twenty-crown and ten-crown pieces. The twenty-crown piece is to have a diameter of 21 millimetres; the ten-crown piece, a diameter of 19 millimetres.]

Article VI.

The procedure in the manufacture of these coins shall secure their accurate production in weight and content. So far as absolute accuracy cannot be maintained for the individual pieces, a tolerance shall

be permitted not to exceed $\frac{2}{1000}$ of the gross weight or $\frac{1}{1000}$ of the content of fine gold.

Article VII.

The twenty-crown piece shall pass current with a weight of 6.74 grams, and the ten-crown piece with a weight of 3.37 grams. Gold coins, whose weight in the course of ordinary wear and tear has not been reduced below these limits, shall be received at their face value at all state and other public offices and by private individuals.

But gold coins which shall have been reduced below these limits by long-continued circulation and abrasion shall be withdrawn on account of the state, and recoined. Accordingly, coins so worn shall be received at all state and other public offices at their face value, and shall be forwarded to the Imperial Central Treasury at Vienna for transmission to the Imperial Mint at Vienna.

Coins whose weight has been diminished otherwise than by circulation shall be withdrawn on their appearing at state and other public offices, upon indemnification of the loss of intrinsic value which they have suffered, and shall then be forwarded for recoinage in the manner set forth in the preceding paragraph.

Article VIII.

The coinage of gold coins of the realm shall be undertaken on account of the state. The twenty-crown pieces shall also be coined on private account, so far as the mint may not be engaged in coinage on state account.

The seignorage for coinage on private account shall be established by administrative order from time to time, but for the twenty-crown pieces shall not exceed 0.3 per cent. of their value.

Article IX.

In addition to the above-mentioned gold coins, Austrian ducats shall continue to be coined as trade coins, $81\frac{189}{355}$ pieces being coined out of one Vienna mark (.280668 kilogram of fine gold). The metal of which they are manufactured shall have a fineness of 23 karats 8 grains ($\frac{986\frac{1}{9}}{1000}$).

The gold coins of eight florins and four florins provided for by the act of March 9, 1870, shall no longer be struck.

Article X.

The silver coins of two florins, one florin, and one-quarter florin, Austrian standard, provided for by Imperial Patent of September 19,

1857, shall remain in lawful circulation until further order. Silver coins of the Austrian standard are no longer to be coined, except from such portions of silver as may be already in possession of the Treasury or shall have been purchased by the Treasury for coinage purposes.

So long as the silver coins above mentioned are not demonetized, they shall be received in all payments, public and private, at the following rates: —

The two-florin piece = 4 crowns.
The one-florin piece = 2 crowns.
The one-quarter-florin piece = 50 heller.

Article XI.

In addition to the gold coins of the realm there shall be struck for the present the following coins under the crown standard: —

1. Silver coins of one crown.
2. Nickel coins: (*a*) twenty-heller pieces, (*b*) ten-heller pieces.
3. Copper coins: (*a*) two-heller pieces, (*b*) one-heller pieces.

Article XII.

The crown pieces shall contain $\frac{835}{1000}$ of silver and $\frac{165}{1000}$ of copper. A kilogram of such standard silver shall be manufactured into 200 crown pieces: each crown piece shall therefore weigh 5 grams. In coining the crown pieces, their normal weight and content must be maintained. So far as absolute accuracy is not attainable, a tolerance shall be permitted not to exceed $\frac{3}{1000}$ of their fine content and $\frac{10}{1000}$ of their weight.

[Article XIII. prescribes the devices on the crown pieces. Their diameter is to be 23 millimetres.]

Article XIV.

The coinage of crown pieces shall be undertaken only on account of the state. 140 millions of crown pieces shall be struck. Administrative order shall prescribe at what periods the coinage and issue of the crown pieces shall take place.

Article XV.

Nickel coins shall be coined of pure nickel. A kilogram of pure nickel shall be manufactured into 250 twenty-heller pieces or into 333 ten-heller pieces. [The devices on these pieces are then pre-

scribed. The diameter of the twenty-heller piece is to be 21 millimetres; of the ten-heller piece, 19 millimetres.]

Article XVI.

Nickel coins shall be struck only on account of the state. They shall be coined up to the amount of 42 millions of crowns. They shall be issued concurrently with the withdrawal of the silver subsidiary coins of 20, 10, and 5 kreuzers. Administrative orders shall determine at what periods the coinage and issue of the nickel coins and the withdrawal of the subsidiary silver coins shall take place.

Article XVII.

The copper coins shall be struck from a mixture containing 95 parts of copper, 4 parts of tin, and 1 part of zinc. A kilogram of such metal shall be coined into (*a*) 300 pieces of 2 heller, (*b*) 600 pieces of 1 heller. [The devices on these coins are then prescribed. The two-heller piece is to have a diameter of 19 millimetres, the one-heller piece of 17 millimetres].

Article XVIII.

Copper coins shall be struck only on account of the state. The total amount shall not exceed 18,200,000 crowns. They shall be issued concurrently with the withdrawal of the copper subsidiary coins of 4, 1, and $\frac{5}{10}$ kreuzers.

Administrative order shall determine at what periods the coinage and issue of these coins and the withdrawal of the copper coins of the present Austrian standard shall take place.

Article XIX.

The crown pieces, as well as the nickel and copper coins of the crown standard, shall be received at all state and other public offices at their face value,—the crown pieces in unlimited amounts, the nickel and copper coins up to the amount of 10 crowns. In addition, these coins shall be redeemed, at all offices designated to act as exchange offices, in lawful coins of the realm (Articles IV. and X.), in such manner as may be prescribed in detail by administrative order.

In private transactions no person shall be obliged to accept crown pieces in sums of more than fifty crowns, nickel coins in sums of more than ten crowns, or copper coins in sums of more than one crown.

Article XX.

The provisions of the last article do not apply to coins mutilated by boring, or diminished in weight otherwise than by ordinary circulation, or to counterfeit coins. If counterfeit coins are presented at the state or other public offices, they shall be confiscated at once and transmitted to the Imperial Mint in Vienna. Coins mutilated by boring, or diminished in weight otherwise than by ordinary circulation, if presented at state or other public offices, shall be stamped with a mark which shall exclude them from lawful circulation. Silver, nickel, and copper coins which shall have suffered appreciably in weight or in recognizability from ordinary circulation and abrasion shall be received or redeemed at their nominal value at public offices, and shall be recoined on public account.

Article XXI.

The silver and copper subsidiary coins which have been struck under the provisions of the Imperial Patent of September 19, 1857; the Imperial Order of October 21, 1860; the act of July 1, 1868; the act of March 30, 1872; the act of April 16, 1878; the act of February 26, 1881; the act of March 10, 1885; and the act of June 10, 1891,—shall remain in circulation so long as their withdrawal shall not have been provided for. This withdrawal shall take place by administrative order in connection with the execution of the present act. Administrative order shall also determine the latest date at which the coins so called in shall be received at the public offices. After that date the state shall be under no obligation to redeem these coins. Until that date, these coins shall pass as follows:—

The twenty-kreuzer piece as equal to 40 heller,
The ten-kreuzer piece as equal to 20 heller,
The five-kreuzer piece as equal to 10 heller,
The copper four-kreuzer piece as equal to 8 heller,
The one-kreuzer piece as equal to 2 heller,
The $\frac{5}{10}$-kreuzer piece as equal to 1 heller,

and shall be legal tender in the manner prescribed by Article X. in the act of July 1, 1868.

Article XXII.

The so-called Levant Dollars, having the portrait of the Empress Maria Theresa of glorious memory, and the date 1780, shall continue to be coined as trade coins, of the previous weight and fineness; namely, 12 dollars out of one Vienna mark (.280668 kilogram) of fine silver, the metal having a fineness of 13 loth 6 gram ($\frac{833\frac{1}{3}}{1000}$).

ARTICLE XXIII.

The paper money now in circulation, and expressed in terms of the Austrian standard, shall be received up to the date of its withdrawal in all payments, public and private, which are lawfully to be made in crowns, in such manner that every florin, Austrian standard, of the face value of the paper, shall be equal to two crowns.

ARTICLE XXIV.

Separate statutes shall provide for the general introduction of obligatory reckoning by the crown standard, in connection with the settlement of coinage matters, and the details as to the application the new standard under the law (Article I.). Further statutes shall also specify the disposition to be made of the silver coins of 2 florins 1 florin, and $\frac{1}{4}$ florin remaining in circulation under the present act and shall make provision for the redemption of state notes, the regulation of the paper money circulation, and the resumption of specie payments.

But it shall be optional for any debtor, from the date on which this act goes into effect, to make all payments lawfully due in Austrian money (whether specified to be in coin or not), in gold coins of the crown standard, the twenty-crown piece being equal to 10 florins, and the ten-crown piece equal to 5 florins.

The same shall hold good of the crown pieces and nickel and copper coins of the crown standard to the extent to which they have been made legal tender by Article XIX. of the present act, the crown piece being equal to 50 kreuzers, twenty-heller piece to 10 kreuzers, the ten-heller piece to 5 kreuzers, the two-heller piece to 1 kreuzer, and the one-heller piece to $\frac{5}{10}$ kreuzer.

ARTICLE XXV.

This act shall go into effect at the same time with the act by which the ministry of the kingdoms and lands represented in the Reichsrath is authorized to enter into a coinage treaty with the lands of the Hungarian monarchy.

ARTICLE XXVI.

The Ministers of Finance and Justice shall execute the provisions of this act.

ACT II.

Authorizing the ministry of the kingdoms and lands represented in the Reichsrath to conclude a treaty for monetary union with the ministry of the lands of the Hungarian crown. August 2, 1892.

[Act II. authorizes a treaty by the terms of which the crown standard is to be adopted in both parts of Austro-Hungary. All coins of the crown standard are to be received in either part of the monarchy in payment of public dues, on the terms defined in Act I. Abraded coins are to be redeemed by the mint issuing them. The coinage of the subsidiary coins, silver, nickel, and copper, is to be divided between the countries in the proportion of 70 to 30, Austria coining 70 per cent. of the total, Hungary 30 per cent. Thus Austria is to coin 140 millions, and Hungary 60 millions of the new silver crown pieces. The burden of the redemption of the state paper money is to be divided in the same proportion. Out of a total of 312 million florins of paper which are considered a debt common to the two countries, 70 per cent. are to be redeemed by Austria, 30 per cent. by Hungary. It is agreed also that the one-florin notes are to be redeemed first, and to be replaced by money of the new standard. Notes so redeemed are to be destroyed.]

ACT III.

Concerning the fulfilment of obligations payable in gold florins of the Austrian standard in gold coins of the crown standard. August 2, 1892.

[Act III. provides that, on contracts stipulating for payment in gold florins of the Austrian standard, gold coins of the crown standard shall be legal tender, one hundred crowns being reckoned as equal to forty-two gold florins. Gold crown coins are to be received on the same terms in payment of import duties.]

ACT IV.

Amending Article 87 of the Statutes of the Austro-Hungarian Bank. August 2, 1892.

[Act IV. adds the following clause to the Statutes of the Austro-Hungarian Bank: —

"It shall be the duty of the Bank to redeem in bank-notes, at its main offices in Vienna and Budapest, lawful gold coins at their face value and gold bars at the mint rate of the crown standard.

"The Bank shall have the right to cause gold bars to be assayed and separated, at the expense of the person presenting them, by agents of its appointment; and it may deduct the seignorage charged, fixed, and published by the government."]

ACT V.

Authorizing a loan for securing a supply of gold for the coinage of gold coins of the crown standard, and specifying the disposition and control of the newly issued coins. August 2, 1892.

With the consent of the two houses of the Reichsrath, I enact: —

Article I.

The Minister of Finance is authorized to contract a loan by issuing 4 per cent. bonds, with interest payable in gold, of the form described in the act of March 18, 1876, the total issue of bonds to be such as to secure a net amount of gold of 182,456,000 of Austrian gold florins.

Article II.

The gold so secured shall be coined at once into gold crowns of the crown standard.

Article III.

These gold coins shall be deposited for safe keeping in the State Central Treasury, or in the Austro-Hungarian Bank as a special deposit to the credit of the Treasury Department.

Article IV.

The coins deposited under the provisions of the preceding article shall be disposed of only by legislative enactment.

Article V.

The Commission of the Reichsrath for the Supervision of the Public Debt shall exercise control over the execution of the provisions of Articles III. and IV.

For this purpose it shall check the delivery of these gold coins [*übt die Gegensperre über den Erlag*].

The Commission shall present, as often as it sees fit, but at least once a year, a report to the Reichsrath in regard to the administration of its control.

ARTICLE VI.

The Minister of Finance shall introduce at the proper time a bill providing for the settlement of the debt, limited to a maximum of hundred millions of florins, Austrian standard, and existing in the form of partial mortgage assignments or of circulating notes representing such assignments.*

ARTICLE VII.

This act shall go into effect on the date of its publication. It shall be executed by the Minister of Finance.

ACT VI.

Authorizing the refunding of the 5 per cent. tax-free currency bonds, the 5 per cent. railway bonds of the Vararlberg road, and the 4¾ per cent. bonds of the Crown Prince Rudolf road.

[Authority is given for refunding the securities mentioned in the title by the issue of bonds of the same sorts, free of taxes, and bearing interest at 4 per cent.]

*This article refers to an issue of obligations made during and after the war of 1866. These were at first assignments or mortgages of the yield of the salt works, but were later made convertible into state notes, and remained there after alternatively interest-bearing or non-interest-bearing, at the discretion of the Minister of Finance. The maximum issue was 100 million florins. They constitute a separate debt for Austria, over and above the 312 millions of paper which are a debt common to Austria and Hungary. In 1891 this extra issue of paper money, payable by Austria alone, stood at 66.8 million florins.